

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2014

2005 SENATE APPROPRIATIONS

SB 2014

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 7, 2005

Tape Number	Side A	Side B	Meter #
Committee Clerk Signature <i>Janet Parks</i>			

Minutes:

Chairman Holmberg opened the day with roll call two absent. Each committee member has a copy of bills in our committee at this time, this will be red paper in future. Legislative Council will supply us with a budget status report every Friday. The Industrial Commission **Budget SB 2014** will be discussed today.

Karlene Fine, Executive Director of the Industrial Commission, distributed a notebook containing supportive information to be discussed today. Her testimony focused on Subdivision 1 of Sections 1, 2, and 3 of **SB 2014**. The department has two full-time employees and participates in the Interstate Oil and Gas Compact Commission. The budget request is for \$317,541 excluding the Lignite Research Program and the bonding payments. The Administrative budget is funded by the agencies that report to the Industrial Commission, so no general fund dollars funding the office. A breakdown of this information is in the handout. Subdivision 1 of Section 3 includes lease and bond payments for the ND Building Authority in the amount of

\$27,292,412. Details of this can be seen in the handouts. The commission did complete the projects we were asked to finance last session. These included Murphy Hall, Dickinson State University Campus, Health Department Morgue Storage Annex, the Graichen Gymnasium Elevator and Emergency Exits on the Valley City State University Campus, Streamline Replacement phase II on the Mayville State University Campus, James River Correctional Center Phase II and one energy conservation project at the Missouri River Correctional Center and in addition we did Connect ND.

Senator Christmann When there is a new bond release is there ever a problem selling the bonds or are they sold immediately.

Karlene Fine Our bonds go very well. They are structured and sold competitively. Connect ND took a little more effort to put package together but there was no problem selling them. Moody has upgraded our outstanding bonds.

Senator Krauter Please go to exhibit A and last column for available debt service.

Karlene Fine This column shows you the totals and general fund commitment.

John Dwyer, President, Lignite Energy Council, Chairman of the Lignite Research Council which is a state industry partnership that administers the state lignite funding program testified in support of SB 2014. Written supportive testimony is contained in the LRD tab of the handout. The Lignite Research Council provides advice and recommendations to the Industrial Commission with independent peer review done on each project before recommendations are made. Page 7 contains the proposal for the 2005-07 biennium, with a \$15,200,000 budget. John Dwyer indicated the Research and Development program funded by the Legislature over the

years has been successful as it has generated \$5.00 for total research dollars for every \$1.00 of state money funded. He urges the committee to favorably consider the appropriations.

Senator Andrist Questions were raised regarding the influx of Wyoming coal (sub bituminous coal) coming into North Dakota..

John Dwyer The big reason for the influx of this coal is cost as you get more kilowatts out of a ton of sub bituminous coal compared to lignite coal. The more money invested in research and development to improve technology and convince investors to invest in lignite power plants, we will probably see more coal switching.

Senator Thane Questions were raised about the demonstration project on energy for ethanol production. Is it possible or economically feasible to move the coal to the southeast part of the state where the corn is in abundant supply.

John Dwyer Detailed studies have been done and the results are one of the most attractive locations is the Valley City and Hankinson sites. Yes, it is a possibility.

Senator Mathern Si there a change in formula as far at funding Lignite R and D from last biennium to this biennium and what part of this bill is that part that you are testifying to.

John Dwyer The change is \$1,000,000 less this session, which is primarily a question of timing of what is committed to and contracts signed. The amount of revenue generated is essentially the same. The formula is not changing.

Edward Murphy Acting State Geologist, ND Geological Survey, provided 30 pages of written supportive testimony which was reviewed via a power point demonstration.(see handout) The responsibilities of the Geological Survey division can be summarized to the main responsibility of providing geological information and aid in regulation in the state in several different ways all

reviewed in the handout. Several geological maps are developed and in the process of being developed as presented in the handout. The Core facility in Grand Forks is the most complete set of ore and gas samples in the United States with the greatest usage by industry going back to 1997. In the Outreach and Geotourism program, an educational poster has been developed for use in every school in the state. The budget covers 72 percent salaries, 28 percent operating, 1 percent capital equipment, to mainly replace the forklift and a plotter.

Chairman Holmberg In the question of the forklift, you mention that in the optional portion of the Governor's budget. Is the \$22,000 in the budget or in addition to the budget.

Edward Murphy It is in the budget.

Senator Tallackson Can you accurately predict where the oil is?

Edward Murphy Can look where oil is being produced and then look for the same type of geological setting.

Senator Thane Can you identify where all of the scattered rocks in the Southeast part of the state came from originally.

Edward Murphy Yes, can be tracked.

Additional discussion took place on the inventory contents.

Lynn D. Helms, Director of Oil and Gas Division, ND Industrial Commission provided supporting documentation in support of SB 2014. The presentation was divided into three sections, the budget, the merger of oil and gas with the geological survey and a demonstration of a project that involves the geological survey and oil and gas research council and what has been accomplished. Supporting documentation can be reviewed in the handout. Basically, activity is up in the oil patch and North Dakota is a leader in the 33 producing states. Budget requests are

similar to that of the geologic division. The main capital equipment purchase, which is in the Governor's budget, is a wide bed printer with better memory to keep up with demand.

Production increases are expected to take place. Oil prices and increase in current oil rigs were discussed together with current anticipation of additional personnel. Lynn Helms approves and asks support of SB 2014.

Senator Holmberg interjected the oil prices in the budget are extremely conservative.

Senator Thane What is barrel cost based on?

Lynn Helms based on information put out by industry and other research.

Additional questions were raised about the personnel needs, change in well heads and why it is not currently part of the budget

Lynn Helms responded and indicated ideas as to how to get this in the budget.

Lynn Helms presented information promoting the growth of the oil and gas industry and oil and gas maps available on all areas in North Dakota. The maps and core sample photographs are available to individuals or people in the industry who go to the web site www.oilgas.nd.gov.

This service is very valuable in bringing investors in to the state.

Discussion took place on the fees charged for this service to geologists and investors as well as current subscribers and information on oil drilling.

Vicky Steiner, Executive Director, Association of Oil and Gas Producing Counties and the CO-conversion Counties Association, thanked and presented testimony on the Oil and Gas Research Council which the 58th Legislative Assembly appropriated funding for. The project that was implemented was for training of firefighters in the oil fields. This project will be an ongoing event.

Tim Porter, Executive Director, ND Municipal Bond Bank provided testimony in support of the budget on SB 2014. The Municipal Bond Bank requested appropriation is in the amount of \$555,862. Tim Porter discussed the current program, financing programs , the employees and future needs.

Questions were raised and responded to about bond programs.

Pat Fricke, Executive Director, ND Housing Finance Agency presented testimony in support of budget 473. Of Section 3, Subdivision 5 of SB 2014. He discussed the current housing loan, bond, and tax programs as documented through the handouts distributed. The proposed budget was discussed as well as the fact that the agency needs some flexibility in hiring personnel.

Discussion took place regarding loan practices.

No voting will take place today as additional testimony will be presented next Friday.

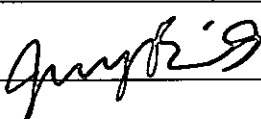
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2014**

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 01/14/05

Tape Number	Side A	Side B	Meter #
One	X		1,898
Committee Clerk Signature 			

Minutes: **Chairman Holmberg**, opened meeting on SB 2014, State Mill and Elevator.

Attendance was taken, Sen. Andrist was not present.

Vance Taylor, President and General Manager, ND Mill and Elevator appeared in support of SB 2014. Mr. Taylor provided the committee with written testimony, (see appendix I). Mr. Taylor discussed the strategic plan for 2005, Business Growth, Markets and Competition, and finally the budget request. Mr. Taylor told the committee that after all of the upgrades are finished, the State Mill and Elevator will be the largest mill in the US. Questions were asked of Mr. Taylor regarding where the mill gets its wheat, he stated that 90% of its wheat comes from ND mills, mainly co-op's. Questions were also asked regarding organic wheat, Mr. Taylor stated that 2.5% of the total production is devoted to organic wheat. No more questions were asked of Mr. Taylor.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 01/14/05

Tape Number	Side A	Side B	Meter #
One	x		
Committee Clerk Signature			

Minutes: **Chairman Holmberg** called meeting to order on SB 2014, Bank of ND.

Eric Hardmeyer, President of the Bank of ND appeared in support of SB 2014. (1930) Mr. Hardmeyer provided the committee with written testimony, (see appendix I). Questions were asked regarding the Moody's Investor Service rating and whether or not it will change once the Centers of Excellence are included. Mr. Taylor indicated that it depends on the payment source, i.e. whether it is steady or not, but they are not concern about a change in the Moody rate.

NOTE: DUE TO TIME CONSTRAINTS THE MEETING WAS CLOSED EARLY AND WILL RECONVENE AT A LATER DATE.

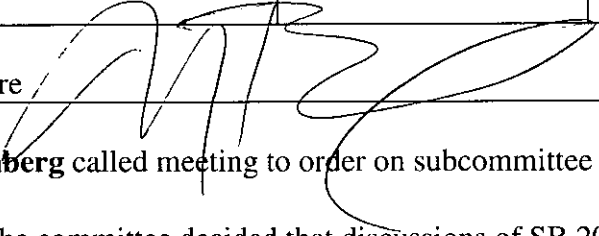
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 01/20/05

Tape Number	Side A	Side B	Meter #
3	x		end
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** called meeting to order on subcommittee work of SB 2014.

Chairman Holmberg and the committee decided that discussions of SB 2014 will wait until after the Bank of ND testifies and the committee takes that tour of the bank.

Chairman Holmberg closed meeting of SB 2014.

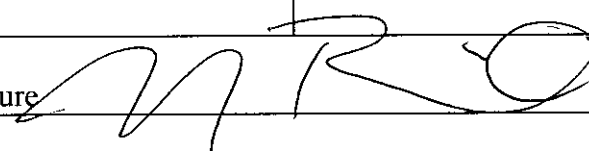
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 01/26/05

Tape Number	Side A	Side B	Meter #
1	x	x	309
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** opened meeting on SB 2014.

Eric Hardmeyer, President Bank of ND appeared in support of SB 2014. (3057) Mr.

Hardmeyer provided the committee with written testimony, see appendix I. Due to his previous testimony on January 14, 2005 he started on page 4 of the same testimony. Mr. Hardmeyer stated that do to the amount of mold, led paint and asbestos and due to the fact that current building was not built to hold a bank, hence new building construction.

Numerous questions were raised regarding the amount of money the bank of ND would need to remodel or build another building. Mr. Hardmeyer also stated that they were looking at funding alternatives.

Sen. Bowman (4841) "Does the Bank of ND pay property tax now?"

Mr. Hardmeyer: "No."

Chairman Holmberg closed meeting on SB 2014.

Page 2

Senate Appropriations Committee

Bill/Resolution Number SB 2014

Hearing Date 01/26/05

Immediately following this hearing all committee members were given a tour of the current Bank of North Dakota building.

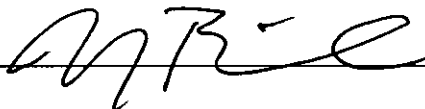
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date 02/08/05

Tape Number	Side A	Side B	Meter #
1	x		0-2213
Committee Clerk Signature 			

Minutes: SUBCOMMITTEE PRE-DISCUSSION OF 2014

Sen. Schobinger: (209) I am asking if anyone would like to make comments regarding this bill and the direction you would like the subcommittee to move in. I guess I am asking 2 questions; do we want to go forward, and if so should we have them build larger than they need now, for future expansion?

Sen. Tallackson: (338) Yes. We should build it big enough. This is something that will make the people of ND proud. I think its a good move.

Sen. Thane: (388) I am in favor of this, I just wanted to add that we need to build it regardless if its not now it should be in the near future.

Sen. Andrist: (485) I'm not opposed to it, I think Sen. Schobinger is right. Built I think we should wait 2 years, have the industrial commission study other space needs first.

Chairman Holmberg: We also need to remember that building costs will be higher in 2 years.

Sen. Kringstad: (572) I am in favor, I just have two comments. I think it is a facade both inside and out, it is not a good building. Also, one of the sites they are looking at is part of an estate at present it will be for sale and cheaper at this time.

Sen. Mathern: (645) We need it. Let's get all the details worked out. If there isn't adequate space or they are having trouble finding a new building spot, why not move it to Fargo?

Sen. Bowman: We're talking about a nontaxable 11 million dollar building, in city limits. Has anyone thought of the problem this could lead to with school funding. It is not our job to supply downtown with building projects, this needs to be discussed.

Sen. Christmann: (823) I think if we do it, it should be a sufficient size so we don't see this project again.

Sen. Fischer: (892) I'm in favor. I think it needs to be build beyond the requirements that are needed today.

Sen. Krauter (965) My concern is that the net loss of profit of the bank is \$600,000 half is a loss of income and the other half is loss of book value. Mr. Hardemyer insinuated that they would like to build a facility to house other entities from state government. I am in favor.

Sen. Kilzer: (1129) I am in favor with minimal delays.

Sen. Schobinger: Thanks, good ideas.


2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☐ Conference Committee

Hearing Date February 14, 2005

Tape Number	Side A	Side B	Meter #
1	a		1,874
Committee Clerk Signature 			

Minutes:

Chairman Holmberg opened the hearing on SB 2014 with announcements.

Senator Schobbing distributed amendments on SB 2014 and indicated that the include three main changes, a reduction in the IT line, a change in the State Mill and Elevator trade office and the North Dakota State Bank capital assets increase and intent language as it concerns the language.

Senator Schobbing moved to approve the amendments. **Senator Tallackson** seconded.

Discussion followed with concerns about increasing other state agency budgets if they move into new space, the finance mechanism, the timing of construction, increasing square footage, the opportune time for construction, other agency interests in the extra space, the long-term plans for facilities, lists of departments looking for new space, current construction costs, economics of building now versus splitting building projects,

Page 2

Senate Appropriations Committee

Bill/Resolution Number 2014

Hearing Date February 14, 2004

A voice vote was taken on section A of all the amendments except the bank size with the exception of the footnote. All were in favor of section A of the amendment.

A voice vote was taken on section B, which is the money language and the size of the bank, all were in favor of the amendment.

Questions were raised on State Mill and Elevator increase in contingencies and agriculture promotion, the original governor's budget, the funding and grant process.

Senator Schobbinge moved and Senator Mathern seconded a Do Pass as amended on SB 2014.

A Roll Call vote was taken with 13 yes and 2 no. Senator Schobbinge will carry the bill.

Chairman Holmberg closed the hearing on SB 2014

FISCAL NOTE

Requested by Legislative Council
04/04/2005

Amendment to: Engrossed
SB 2014

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Sections 17 through 29 authorize the merger of the Oil and Gas Division and the North Dakota Geological Survey into a Department of Mineral Resources as directed by the 58th Legislative Assembly. The Executive Budget includes the estimated annual General Fund savings of \$240,000.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The estimated annual savings of \$240,000 reflected in the Executive Budget are primarily in the salaries and wage line item. The merger of the two divisions will result in a reduction of 5 FTE's.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The Executive Budget reflects the savings from the anticipated merger.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	04/04/2005

FISCAL NOTE
Requested by Legislative Council
12/27/2004

Bill/Resolution No.: SB 2014

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Sections 15 through 27, authorize the merger of the Oil and Gas Division and the North Dakota Geological Survey into a Department of Mineral Resources as directed by the 58th Legislative Assembly. The Executive Budget includes the estimated annual General Fund savings of \$240,000.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The estimated annual savings of \$240,000 reflected in the Executive Budget are primarily in the salaries and wage line item. The merger of the two divisions will result in a reduction of 5 FTE's.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

The Executive Budget reflects the savings from the anticipated merger.

Name:	Karlene Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/04/2005

Date 2/14/05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB

Senate SENATE APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 2014

Action Taken Do Pass as amend

Motion Made By Grindberg Seconded By Mather

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	✓		SENATOR KRAUTER		✓
VICE CHAIRMAN BOWMAN		✓	SENATOR LINDAAS	✓	
VICE CHAIRMAN GRINDBERG	✓		SENATOR MATHERN	✓	
SENATOR ANDRIST	✓		SENATOR ROBINSON	✓	
SENATOR CHRISTMANN	✓		SEN. TALLACKSON	✓	
SENATOR FISCHER	✓				
SENATOR KILZER	✓				
SENATOR KRINGSTAD	✓				
SENATOR SCHOBINGER	✓				
SENATOR THANE	✓				

Total (Yes) 13 No 2

Absent _____

Floor Assignment Schobinger

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2014: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2014 was placed on the Sixth order on the calendar.

Page 4, line 24, replace "6,861,925" with "6,840,444"

Page 4, line 27, replace "18,249,597" with "18,176,480"

Page 4, line 28, replace "12,108,200" with "10,925,665"

Page 4, line 29, replace "11,272,000" with "18,722,000"

Page 4, line 31, replace "43,329,797" with "49,524,145"

Page 5, line 14, replace "50,000" with "250,000"

Page 5, line 15, replace "32,657,254" with "32,857,254"

Page 5, line 18, replace "4,398,849" with "4,382,167"

Page 5, line 22, replace "33,895,707" with "33,879,025"

Page 5, line 23, replace "12,561,925" with "12,540,444"

Page 5, line 24, replace "155,912,643" with "162,286,824"

Page 5, line 25, replace "168,474,568" with "174,827,268"

Page 8, after line 8, insert:

"SECTION 14. LEGISLATIVE INTENT - BANK OF NORTH DAKOTA BUILDING - OTHER STATE AGENCIES' LEASING - BUDGET SECTION REPORT. It is the intent of the legislative assembly that if a new facility is built to house the operations of the Bank of North Dakota that the facility be built to include rental space for other state agencies and that the Bank of North Dakota work with the office of management and budget to identify which agencies will lease space in the Bank of North Dakota building and report to the budget section of the legislative council on plans for leasing to other agencies. The Bank of North Dakota in conjunction with the office of management and budget shall set the rental amounts, and the Bank of North Dakota shall collect the rental amounts and maintain and control the building and its grounds."

Page 8, after line 13, insert:

"SECTION 16. AGRICULTURE PROMOTION - TRADE PROMOTION AUTHORITY. The mill and elevator association shall provide a grant of \$250,000 from the agriculture promotion line item in subdivision 4 of section 3 of this Act to the trade promotion authority."

Page 16, line 27, replace "14" with "15"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Industrial Commission			
Total all funds	\$50,516,810	(\$24,966)	\$50,491,844
Less estimated income	<u>43,654,885</u>	<u>(3,485)</u>	<u>43,651,400</u>
General fund	\$6,861,925	(\$21,481)	\$6,840,444
Bank of North Dakota			
Total all funds	\$51,404,797	\$6,194,348	\$57,599,145
Less estimated income	<u>45,704,797</u>	<u>6,194,348</u>	<u>51,899,145</u>
General fund	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency			
Total all funds	\$33,895,707	(\$16,682)	\$33,879,025
Less estimated income	<u>33,895,707</u>	<u>(16,682)</u>	<u>33,879,025</u>
General fund	\$0	\$0	\$0
Mill and Elevator			
Total all funds	\$32,657,254	\$200,000	\$32,857,254
Less estimated income	<u>32,657,254</u>	<u>200,000</u>	<u>32,857,254</u>
General fund	\$0	\$0	\$0
Bill Total			
Total all funds	\$168,474,568	\$6,352,700	\$174,827,268
Less estimated income	<u>155,912,643</u>	<u>6,374,181</u>	<u>162,286,824</u>
General fund	\$12,561,925	(\$21,481)	\$12,540,444

Senate Bill No. 2014 - Industrial Commission - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$6,071,048	(\$24,966)	\$6,046,082
Operating expenses	1,907,850		1,907,850
Capital assets	45,500		45,500
Lignite research and development	15,200,000		15,200,000
Grants - Bond payments	<u>27,292,412</u>		<u>27,292,412</u>
Total all funds	\$50,516,810	(\$24,966)	\$50,491,844
Less estimated income	<u>43,654,885</u>	<u>(3,485)</u>	<u>43,651,400</u>
General fund	\$6,861,925	(\$21,481)	\$6,840,444
FTE	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of Senate Changes

	REDUCES COMPENSATION PACKAGE TO 3/4	TOTAL SENATE CHANGES
Salaries and wages	(\$24,966)	(\$24,966)
Operating expenses		
Capital assets		
Lignite research and development		
Grants - Bond payments		
Total all funds	(\$24,966)	(\$24,966)
Less estimated income	<u>(3,485)</u>	<u>(3,485)</u>
General fund	(\$21,481)	(\$21,481)
FTE	0.00	0.00

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$18,249,597	(\$73,117)	\$18,176,480
Operating expenses	12,108,200	(1,182,535)	10,925,665
Capital assets	11,272,000	7,450,000	18,722,000
Contingencies	1,700,000		1,700,000
PACE fund	5,700,000		5,700,000
Agriculture PACE fund	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000		950,000
Total all funds	\$51,404,797	\$6,194,348	\$57,599,145
Less estimated income	<u>45,704,797</u>	<u>6,194,348</u>	<u>51,899,145</u>
General fund	\$5,700,000	\$0	\$5,700,000
FTE	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of Senate Changes

	REDUCES COMPENSATION PACKAGE TO 3/4	REDUCES FUNDING FOR OPERATING EXPENSES ¹	INCREASES FUNDING FOR NEW BANK BUILDING ²	TOTAL SENATE CHANGES
Salaries and wages	(\$73,117)			(\$73,117)
Operating expenses		(\$1,182,535)		(1,182,535)
Capital assets			\$7,450,000	7,450,000
Contingencies				
PACE fund				
Agriculture PACE fund				
Beginning farmer revolving loan fund				
Total all funds	(\$73,117)	(\$1,182,535)	\$7,450,000	\$6,194,348
Less estimated income	<u>(73,117)</u>	<u>(1,182,535)</u>	<u>7,450,000</u>	<u>6,194,348</u>
General fund	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00

¹ This amendment reduces funding for operating expenses by \$1,182,535, resulting in no increase in the operating expense line item for the 2005-07 biennium.

² This amendment adds \$7,450,000 of special funds spending authority to the capital assets line item for the Bank of North Dakota to increase the appropriation for a new bank building from \$11,000,000 to a total of \$18,450,000. The increase in funding is to provide for the cost of a 120,000-square-foot building, rather than the 60,000-square-foot building included in the executive recommendation. The legislative intent is that the additional space in the new bank building will be used as rental space for other state agencies.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$4,398,849	(\$16,682)	\$4,382,167
Operating expenses	2,805,578		2,805,578
Grants	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	(\$16,682)	\$33,879,025
Less estimated income	<u>33,895,707</u>	<u>(16,682)</u>	<u>33,879,025</u>
General fund	\$0	\$0	\$0
FTE	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of Senate Changes

REDUCES
COMPENSATION

TOTAL
SENATE

	PACKAGE TO 3/4	CHANGES
Salaries and wages	(\$16,682)	(\$16,682)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$16,682)	(\$16,682)
Less estimated income	(16,682)	(16,682)
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$17,348,241		\$17,348,241
Operating expenses	14,959,013		14,959,013
Contingencies	300,000		300,000
Agriculture promotion	<u>50,000</u>	<u>\$200,000</u>	<u>250,000</u>
Total all funds	\$32,657,254	\$200,000	\$32,857,254
Less estimated income	<u>32,657,254</u>	<u>200,000</u>	<u>32,857,254</u>
General fund	\$0	\$0	\$0
FTE	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of Senate Changes

	INCREASES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL SENATE CHANGES
Salaries and wages		
Operating expenses		
Contingencies		
Agriculture promotion	<u>\$200,000</u>	<u>\$200,000</u>
Total all funds	\$200,000	\$200,000
Less estimated income	<u>200,000</u>	<u>200,000</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment increases special funds spending authority for the agriculture promotion line item by \$200,000, resulting in a line item total of \$250,000. This line item is to be used to provide a grant of \$250,000 to the Trade Promotion Authority.

2005 HOUSE APPROPRIATIONS

SB 2014

*These are excerpts from agency overview hearing -
Full set of minutes/handouts available. Ask a
Legislative Council librarian.*

Mr. Sprynczytyk explained section 7 where it says that the name of the Liberty Memorial Bridge is to be changed to the Medal of Honor Bridge.

Mr. Gary Preszler spoke on behalf of the Land Department and reviewed the variances on the written testimony (handout #33-12, attached).

Rep. Ken Svedjan, Chairman asked if the FTE is paid out of a grant.

Mr. Preszler answered no, that this position is funded through the maintenance fund.

Ms. Karlene Fine spoke for the Industrial Commission and reviewed her written testimony (handout #33-13, attached). The variances listed are negative variances. Ms. Fine mentioned that the only changes made by the Senate were the adjustments regarding the compensation packages. (tape #2, side B, meter #37.6)

Ms. Fine reviewed the figures for the State Mill.

Rep. Mike Timm, Vice Chairman, asked about projections of \$5 million for turn over to the state. Ms. Fine answered that the profits were \$5 million this year so the turn over would happen with no borrowing.

Rep. Mike Timm, Vice Chairman, asked how the Mill paid their loan back from the last biennium. Ms. Fine answered that payments were made through operation as the profits came in.

Rep. Francis J. Wald asked about the 7 FTE's, which were reduced as a result of the merger, and whether or not some of them were added to the payroll at UND. Ms. Fine answered that these were all Bismarck employees from the Oil & Gas Division and Geological Survey.

Rep. Ken Svedjan, Chairman asked for more about why the Senate amended the appropriation for Ag promotions. Ms. Fine said the Mill got \$50,000 for agriculture promotion, which is for work the management does to promote agriculture. The Senate wanted money to go to the Trade

2014

Office, so they added \$200,000 to the \$50,000 and made it into a grant. **Rep. Ken Svedjan, Chairman**, said that additional \$200,000 come out of profits of the Mill. **Ms. Fine** affirmed. **Rep. Jeff Delzer** asked who the \$200,000 goes to. **Ms. Fine** said a new office called the North Dakota Trade Office. **Rep. Jeff Delzer** said this will pay for trips to Cuba. **Ms. Fine** said it's part of the Commerce budget. **Rep. Jeff Delzer** asked how many state agencies are contributing to that. **Ms. Fine** deferred that to the Department of Commerce. **Rep. Ron Carlisle** noted that \$200,000 would go to Trade Office, and the Commerce budget provides for a grant of up to \$500,000 to the Trade Promotion Authority. He asked for confirmation as whether that's a total of \$750,000 from two separate entities. **Ms. Fine** answered yes, and continued her review by discussing the figures for the Housing Agency.

Mr. Eric Hardmeyer reviewed the figures from the Bank of North Dakota.

(tape #3, side A, meter #4.9)

Rep. Al Carlson asked what it did to the base of the bank when you take out \$18 million. **Mr. Hardmeyer** said the base means equity and assets. This does not effect the Bank's equity. This does take an earning asset of \$18 million which would be converted to a non-earning asset, so interest income would be lost. There will be some new depreciation costs and rent revenues. Overall, the impact should be negligible. It won't effect the capital of the Bank at all. **Rep. Al Carlson** asked why. **Mr. Hardmeyer** said it's still an asset. **Rep. Al Carlson** asked where this building would be built and **Mr. Hardmeyer** said it has not been decided yet. Until there is approval, the Bank will refrain from negotiations.

Rep. Ken Svedjan, Chairman, referred to capital threshold and the tacit agreement that it should not go lower than \$140 million. The Governor recommended raising that to \$150 million.

The capital of the bank is now at \$161 million. He assumed the difference is what it would take to build the building. (tape 3, side A, meter #4.9) **Mr. Hardmeyer** explained that on 12/31/04, the Bank ended the year with equity of about \$155 million. By 6/30/05 equity will have grown by \$5 or \$6 million. There is no correlation between the \$150 million and the \$161 million.

Rep. Jeff Delzer said in order to build, you have to take money out of the capital. **Mr.**

Hardmeyer answered that they were not taking money out of the capital of the bank. We're taking money from an overnight investment and changing that from an earning asset to a non-earning asset, which means it goes from a liquid investment into bricks and mortar. It does not effect the capital of the bank. **Rep. Jeff Delzer** asked what happens to the old building. **Mr.**

Hardmeyer said that it is dependent on what is done with the old building. If it's sold, it becomes the buyer's liability. **Rep. Jeff Delzer** commented that he needed to know what the plans were going to be for the old building before he could vote on this. **Mr. Hardmeyer** said the \$18 million or the \$11 million does not take in consideration anything that the Bank would receive from the sale of the existing building. It could be used as a reduction. **Rep. Jeff Delzer** said he wanted to know about the plan for the old building before agreeing to build a new one.

Mr. Hardmeyer said it would be premature to make any decisions until approval of the funding is in place. **Rep. Jeff Delzer** said he disagrees and he feels it's one and the same.

Rep. Ron Carlisle asked with regard to funding the centers of excellence and whether or not that effects the bottom line or equity position. **Mr. Hardmeyer** said the original bill provided that the BND would provide a line of credit of \$50 million to the Department of Commerce. That would not effect the Bank's equity. It would provide \$50 million in loans. There is no impact on equity

unless there are loan losses. **Rep. Ron Carlisle** asked for figures regarding demolition if there's construction on or off the current site. **Mr. Hardmeyer** said he would provide this information.

Rep. David Monson commented that plans for what to do with the old building are not premature, and they would need to know these plans. **Mr. Hardmeyer** answered that the old building could be demolished, and the Bank could build on the same site, or it could change sites, and build a new building, but no decisions have been made yet. **Rep. David Monson** commented that this plan should be in place before this is voted on. **Rep. Ron Carlisle** asked if any of these questions came up in the Senate. **Mr. Hardmeyer** answered no, because conversations on this had begun but none of this was settled. **Rep. Ken Svedjan, Chairman**, agreed that the bank should be able to share this information and have a plan in place. **Rep. Bob Martinson** noted that should this building be demolished, it would be a valuable piece of property and perhaps the Bank needs to keep these options open. **Rep. Ken Svedjan, Chairman**, commented that there should at least be information on various alternative plans. (meter Tape #3, side A, #11.7)

Mr. Hardmeyer continued his review of the funding for Ag PACE, Beginning Farmer Revolving Loan Fund, etc.

Rep. Joe Kroeber asked if this was where they took the \$1.4 million from for the rail rate case.

Mr. Hardmeyer answered yes, but he thought it was \$1.2 million.

Rep. Bob Skarphol asked Ms. Fine about an appropriations status report for the Industrial Commission budget and the available 50% in the grant line and 43% of special funds that have not been used. **Ms. Fine** said this was in regard to the research program and that information is contained in her testimony.

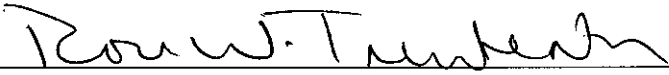
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Monday, February 28, 2005

Tape Number	Side A	Side B	Meter #
1	X		00-end
1		X	00-end
2	X		00-31.5
Committee Clerk Signature 			

Minutes:

Chairman Carlisle opened the Hearing on SB 2014 concerning the Industrial Commission budget. The Commission provided a notebook (Handout #1). **Mr. Eric Hardmeyer, President of the Industrial Commission of North Dakota**, began by reading his testimony into the record (Handout #1, Tab BND).

Regarding the testimony about a budget shortfall in 2001-03 biennium (H#1, Tab BND, p2, paragraph 4), **Pres. Hardmeyer** pointed out that the drop in capital from \$170 million in 2001 to current levels in \$153 million, which reflects funds withdrawn to the general fund to assist with the budget deficit. **Chairman Carlisle** noted that a HB 1053, sponsored by **Rep. Delzer**, won't allow that to happen again, theoretically; turn back funds would be used to pay the bank first.

Rep. Thoreson provided the Committee with copies of the legislation.

With regard to the income transferred to the general fund, **Rep. Timm** asked about the impact of transferring \$270 million from the BND to the general fund over the past five bienniums. **Pres.**

Hardmeyer explained the Bank would have that much more equity, money could be loaned at a cheaper rate. **Rep. Timm** asked how long the legislature has been taking money, other than the five sessions listed, from the Bank of ND, and whether or not the objective of the BND is to earn money for the State or to make loans. **Pres. Hardmeyer** responded that it wasn't until the 1980's that the legislature consistently took money from the BND; the objective is to promote and encourage agriculture, commerce and business. It wasn't expected to be the revenue source it has become today; turning back profits, after the necessary 8% needed to grow the Bank, is entirely appropriate, though.

Chairman Carlisle invited **Ms. Sandy Paulson** to explain the proposed amendment .0201 and she said the OMB had estimated the \$2.2 million turn back from the PACE fund, but omitted the language in the bill that actually turned that money back to the general fund because it goes into a continuing appropriation. The amendment provides the language to do that. **Chairman Carlisle** pointed out that \$800,000 of that is earmarked for the Beef Center of Excellence which is dealt with another piece of legislation. **Pres. Hardmeyer** added that the \$800,000 for the Beef Center of Excellence comes out of the Ag PACE fund.

(Meter #11.8)

Regarding testimony about the higher Moody Investor rating, **Rep. Thoreson** asked about the S&P rating of AA-/Stable/A-1+, and how that compares to the Moody rating. **Pres. Hardmeyer** said that S&P rates the Bank separately and they did not increase the rating. He deferred this explanation to **Sr. V.Pres. Ed Sather** who said S&P rates a bank with a minus or a plus. AA+

would be the highest and AA- would be the lowest. Moody's Aa1 as the highest and Aa3 as the lowest. Moody's rates BND one step higher than S&P and that's a long-term rating. The A1+ is a short-term rating, which is basically for debt one year less and that's the highest rating you can get.

Rep. Kempenich asked for a comparison between turnover rates from last session to this session and **Pres. Hardmeyer** said the rates are normal.

Rep. Kempenich asked how the lower interest rates have affected the BND and **Pres.**

Hardmeyer responded that the BND has just passed through a period of 40-year lows, which have affected revenues. The economy is picking up, though, and the short-end rates are coming up. The BND anticipates good loan growth in the coming year.

Pres. Hardmeyer reviewed the history, concerns, and construction alternatives for building (See H#1, BND, p. 4-6). **Rep. Timm** asked how the BND would move money to pay upcoming building costs and **Pres. Hardmeyer** said the costs would show up as a shift from one asset category to another and would not impact equity or liability, nor does it impact the Bank's ability to make transfers. The Bank will lose revenues on the interest not earned.

With regard to the four construction alternatives on p. 6, **Pres. Hardmeyer** explained that options one and two were not acceptable because of the age of the buildings, the fact that the annex doesn't have footings which would allow for building upward, and the extra cost of moving staff and equipment to temporary quarters for a year. The preferred option is to build on a new site. He felt there is a market for the property where the Bank is currently located because of its proximity to two hospitals. The appraisal for the lot and buildings is \$3.4 million.

Rep. Timm asked where the new site might be and **Pres. Hardmeyer** said they are considering two downtown locations.

Regarding the "Beginning Farmer Revolving Loan Fund" and the "Ag Pace Fund" (See H#1, BND, p. 8-9)

(Side B, Meter #0.2)

Rep. Timm said the legislature bailed out a fund and whether or not that was the Beginning Farmer Fund. **Pres. Hardmeyer** said it was the Real Estate Trust Fund. In the 1995-96 session, Hoeven identified a shortfall of 23 million. In 1996-97 funds were transferred from the capital to make the fund whole. **Rep. Timm** asked if there were safeguards in place to protect the Beginning Farmer Fund and **Pres. Hardmeyer** responded there are no bonds, only loans which are running at less than a 1% deficiency rate.

Chairman Carlisle called for a 10 minute recess.

(Meter #9.3)

Chairman Carlisle reopened the hearing on SB 2014 concerning the Industrial Commission budget. **Executive Director Pat Frickle** read his testimony regarding the Housing Finance Agency into the record (See H#1, Tab HFA). The Committee was also given a spiral bound book entitled *North Dakota Statewide Housing Needs Assessment: 2004-Final Report, a detailed analysis to better understand housing needs in North Dakota* (Handout #2a) and a CD entitled *North Dakota Housing Finance Agency* (Handout #2b). **Dir. Frickle** gave a power point presentation to orient the Committee to the housing programs available to the public.

Rep. Timm asked how people find out about the various programs the Agency offers and **Dir.**

Frickle said mainly through the realtors, banking communities, and the Agency's web site:

www.ndhfa.org.

Rep. Kempenich asked for more information regarding the First-Time Homebuyers Program.

Dir. Frickle told the Committee that the upper limit for housing is \$204,000, and in order to qualify a buyer must have an income of \$65,000; the average loan is for \$85,000, with an income of \$35,000. Buyers receive a 30-year loan with lower than market interest rates and no prepayment penalties.

(Meter #25.1)

With regard to the rental units, **Rep. Timm** asked the Director if the Agency lends money to a contractor which builds a home to be rented out to low-income people. He noted the powerpoint showed pictures of some large buildings. **Dir. Frickle** said that in recent years the Agency hasn't financed any multi-family developments. In the early 1980's, the Agency arranged for bonds for permanent financing for apartment complexes. In 1986 tax act, Congress made significant changes so that it's less attractive now to build multi-family structures. The low-income housing income tax credit came about the same time, which the Agency administers. The tax credits cover ten years and the owner can syndicate or sell those tax credits to generate capital which can be used to cover the cost of construction or financing debt.

Rep. Timm asked if the Two Towers in Minot is part of that program. **Dir. Frickle** said that project comes from HUD money. He referred to the chart "N.D. Housing Finance Agency, Rental Programs" (See H#1, HFA tab). Ward County had 187 units which were developed utilizing the tax credits.

Dir. Frickle referred the Committee to Handouts 2a and 2b regarding the North Dakota's housing needs for the future. **Rep. Thoreson** asked about the expected decline. **Dir. Frickle** explained that figure is influenced by several factors: North Dakota's population is aging and is moving toward urban centers (See H#2a, pp. 11-12). He showed the Committee a map of the U.S. that showed area with the most out migration: the Heartland.

Rep. Timm asked about the increase in operating expenses mainly due to "the service release premium" cost. **Dir. Frickle** said that when the Agency purchases a loan, and the originating lender chooses to have the Agency service that loan, the Agency pays them for those servicing rights. It's an asset actually. In the State's method of accounting the Agency has to book it as an expense. **Rep. Timm** asked if that line item is increased every biennium. **Dir. Frickle** said the line item amount is not necessarily an increase. It correlates to the number of loans which the Agency anticipates it will buy. The loan amounts are getting higher.

Dir. Frickle said the Agency is currently not using 3 FTE's, but would like to retain them as he will be retiring this year and this provides some flexibility if changes are made to the management structure.

(Meter #50.6)

President and General Manager Vance Taylor read his testimony regarding the N.D. Mill and Elevator into the record (See H#1, State Mill tab). He also introduced **Mr. Barchenger, Comptroller & Finance.**

(Tape #2, Side A, Meter #2.7)

Rep. Timm asked if there were any truth to the rumors that the N.D. Mill is buying grain from outside North Dakota and Canada. **Pres. Taylor** stated that 95% of grain purchased is from North Dakota. No grain is purchased from Canada.

Rep. Timm asked about the projected increased spending and **Pres. Taylor** said there are two new projects which will increase the Mill's capacity to produce and will make the N.D. Mill the largest single mill in one location in the U.S. **Rep. Timm** asked if there is a market for the increased production. **Pres. Taylor** explained that there are 17 flour mills in the U.S. which will be closing in the next five years. Also, there is a high demand for the high quality flour and service the Mill provides.

With regard to "Budget Request," (See H#1, State Mill tab, p.5) **Rep. Timm** asked if employees are paid at a rate comparable to other state employees, subject to the same legislative restrictions. **Pres. Taylor** said the pay varies according to the contract. **Rep. Thoreson** noted that SB 2264 regarding pay issues was passed by the Senate as a study resolution.

Rep. Kempenich asked about rail cars and **Pres. Taylor** said the Mill leases 300 pneumatic and air slide cars to service the East Coast and that it is cheaper to lease rather than own cars. More cars will be ordered as capacity increases, but those costs will be passed on to the customer.

With regard to the increased expenses associated with methyl bromide, **Pres. Taylor** said the FDA is phasing out the chemical; the Mill will need to find a new method to fumigate.

Rep. Kroeber asked about the Trade Promotion Authority (See H#1, State Mill tab, p.6) and **Pres. Taylor** said that the Mill exports to a few markets, including Japan, Brazil, and the Caribbean, but most markets are domestic.

Rep. Timm returned to the salary issue and the ratio of union to state employees of 65% to 35% and whether or not the state employees were paid higher increases than other state employees. He also commented that 65% union in a non-union state seemed high. **Pres. Taylor** said the state salaries have to be close to the union salaries or there would be a morale problem in the work force.

(Meter #21.9)

Mr. Tim Porter, Executive Director, Municipal Bond Bank, read his testimony into the record (See H#1, MBB tab). He also introduced his business manager, **Ms. Deanne Ament**.

With regard to the vacant FTE, **Rep. Timm** asked why the position has been left open. **Dir.**

Porter explained that two years ago the Bank reduced the 4 FTE's to 1 3/4's by getting administrative help from the Bank of North Dakota. The position has been left open because it may be needed for lending. The Bank has followed the State's guidelines and none of the money has been used for raises. **Chairman Carlisle** suggested they consider how to provide for this contingency without keeping the position open.

Chairman Carlisle adjourned the Hearing on HB 2014 until Tuesday morning.

(Meter #31.5)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Tuesday, March 1, 2005

Tape Number	Side A	Side B	Meter #
1	X		00-end
1		X	00-end
Committee Clerk Signature <i>Rowen Timberlin</i>			

Minutes:

Chairman Carlisle called the Hearing on SB 2014 concerning the Industrial Commission to order. **Ms. Karlene Fine, Executive Director and Secretary of the Industrial Commission,** read her testimony into the record, using Handout #1 from Monday, February 28, 2005, Admin/Build Authority tab.

With regard to Exhibits A & B(See H#1, Admin/Build Authority tab), **Rep. Timm** asked about the percentages at the bottom of the chart on Exhibit A. **Dir. Fine** said that is the average bond rate. She told the Committee that the bond rate on SB1023 is 4.53%. She told the Committee that if the three numbers that are highlighted on Exhibits A & B are totaled, it would equal the line item of lease payments that are scheduled for the 05-07 biennium.

Rep. Timm noted there isn't an estimated bonding total for 2003-2005, assuming there's bonding activity. He also asked if the bonding has reached the limit. **Dir. Fine** directed the

Committee to the middle of the document where it says "2005Est." She said that is what the Agency has projected as the bond payment on the Senate bill for the bonding project. The last column on the right hand side indicates that \$117,964 is what's unused of the capped portion.

Rep. Timm asked what the "available debt service" means. **Dir. Fine** explained that's the amount available within the cap, which can still be used for additional projects. The column just before the last column, "10% of \$.01 Sales Tax*" represents the cap. Last session the balance was close to zero, but since then there have been two new forecasts, and that's how much we increased the limitation because of improved economy in N.D.

Chairman Carlisle asked if ConnectND is outside the cap and **Dir. Fine** confirmed, as well as all the energy conservation projects. **Rep. Timm** asked if there's any legislation out there that creates bonding outside the cap. **Dir. Fine** said SB 2023 is the bill that has all the bonding projects in it and all of that is within the cap.

(Meter #8.6)

Mr. Ed Murphy, Acting State Geologist, N.D. Geological Survey, read his testimony into the record. (See H#1, Geological Survey tab). He used a power point presentation to highlight the testimony.

(Meter #25.2)

With regard to the Core and Sample Library (See H#1, Geological Survey tab, p. 15), **Rep.**

Timm asked if the Agency generates funds with the core samples. **Mr. Murphy** said the company will pay for shipping costs, otherwise this service is provided free as an incentive to do business with N.D. Money is generated through leasing contracts. **Rep. Timm** asked if they are a general fund agency and **Mr. Murphy** confirmed.

Mr. Lynn D. Helms, Director Oil & Gas Division, read his testimony into the record (See Handout #1, Oil & Gas Division tab).

With regard to "Well Permitting and Construction" on p. 3, **Rep. Timm** asked about reactivating plugged wells. **Dir. Helms** said the company would file for a permit and pay a re-entry fee. First time permits are \$100 and re-entry permits are \$50. **Rep. Timm** asked where this money goes and **Dir. Helms** said it goes into the Reclamation Fund, which is kept at the Bank of North Dakota where it draws interest. The current level is \$81,000.

Dir. Helms continued to read his testimony into the record. With regard to "Conservation and Protection of Correlative Rights," on page 5, **Chairman Carlisle** asked about the leasing arrangements with the Middle Bakken oil play. **Dir. Helms** said that was a 10-year federal lease for the minerals, and the money will go to the Bureau of Land Management, with 50% coming back to N.D. When it arrives, one half will go to McKenzie County and half will go into the general fund. The client has ten days to pay up. It generally takes 60-90 days for the money to show up back here. The payment was \$1,900 per acre for 2,000 acres, which means the client wrote a check for \$2 million. In addition to this lease, he will have to get a plan from the Forest Service before he can begin drilling, which might take a few years.

(Meter #38.6)

Rep. Timm brought up a problem the Agency had with monitoring the amount of oil and gas taken out of the wells, and the legislature asked for more accountability. **Dir. Helms** said that was in the early 80's during the oil boom. There are law suits which still haven't been resolved, with one major oil & refining company in particular. The Agency requires the operator, the transporter, and the purchaser to all report, using a Form 8, the volume of oil taken away from

that well. The Agency compares figures and keeps meters accurate. In this case, about 20% of the forms were out-of-date. The Agency sent out laminated tags to the operators and they have until this month to get the paperwork in order or the Agency will seal tanks. The problem diminished in the 1990's, but it's resurfacing again now.

With regard to "Explanation of Program Costs" on p. 7, **Rep. Kempenich** asked the Director what the rent per square foot of office space and the Director said \$13.

With regard to "2005-2007 Biennium" on p. 9, **Dir. Helms** corrected the projection of the number of barrels per day from 90,000 to 92,000. In the coming biennium, that's expected to climb to 97,000. He said Economy.com projected that at the start of the biennium, oil will run \$40 and gradually drop down to \$30. He referred to the charts which show spikes in oil prices in the early 1980's. "What goes up, always comes down." He hopes for a softer landing, rather than the price collapse of 1986 or 1998.

Dir. Helms returned to **Chairman Carlisle's** earlier question about competition with Montana and stated that there are currently 19 rigs running in N.D. Richland County, Montana, has 25 rigs and they're drilling from the same formation, the Middle Bakken. N.D. has drilled six Middle Bakken wells and they've been disappointing. The production has been $\frac{1}{4}$ or $\frac{1}{5}$ of the Montana wells. The geology and technology are different. It took them over two years to figure out how to make things work in Richland County. It will take time and money to make it work here. Part of that is the tax situation. N.D. is currently 11% higher. They didn't put a trigger on their horizontal drilling incentive and so for the first 18 months, they're paying $\frac{1}{2}$ of 1% severance tax. In N.D. the company is paying 11% from day one.

(Meter #49.3)

Rep. Kempenich acknowledged the problem, but asked if we're talking apples for apples. There are expenses in Montana that we don't have in N.D. **Dir. Helms** said Montana did put a trigger on their stripper wells and enhanced oil recovery wells, so their tax system is upside down from N.D.'s. Overall, we're pretty close. Montana is 6.6% and we're 7.1%. Another consideration is the fact that Montana is dealing with private and state leases which are expiring. There are four pieces to this puzzle--can't just blame taxes.

Montana estimates there are 150-200 wells to drill. They put down about 6 wells a year. What that means potentially is that in a year and a half, those rigs will come to N.D. If that happens, our rig count could be close to 40.

Chairman Carlisle asked why this would be if Economy.com is dropping the oil price. When companies come in with their proposals, they use \$30-35. It's economic and activity will continue.

Dir. Helm went on to explain that if the projections are correct, the Agency would not be able to keep up with the work load. He said they may have to approach the Emergency Commission 18 months from now to provide the needed field inspector, geologist, and support staff person, which would amount to about \$500,000 a biennium. **Chairman Carlisle** suggested the legislature may need to provide a vehicle which would provide for this possibility. **Dir. Helm** said they had considered a contingency trust fund or that the Oil & Gas Trust Fund could be used if it had to come through the Emergency Commission. **Rep. Kroeber** noted that the budget section could not take funds out of the trust fund; that requires a 2/3's vote of the legislature. It was also noted that the Emergency Commission keeps a balance of just \$500,000. **Rep.**

Kempenich suggested including a few positions in the budget and not fund them and then go to

the Emergency Commission. **Chairman Carlisle** requested a memo with the necessary information to help the Committee as they work on the budget. **Dir. Helm** said he would do so. [This memo, dated March 3, 2005, from Director Helm, was delivered to the Committee later in the week and is attached to these minutes.]

Dir. Helm continued with his testimony regarding the merger process. He also followed up on a project initiated by the last legislative session, the Oil & Gas Research Council (See H#1, OGRC tab). He gave a demonstration to show the synergy created by this project. He showed the Committee the information that has been gathered at the web site:

www.state.nd.us/ndic/ogrp-infopage.htm. **Dir. Helm** told the Committee that N.D. is the only state with 100% of the logs available on line, which includes the production history of a well and core photos.

After the demonstration was completed and the testimony concluded, **Chairman Carlisle** asked the Director to provide information about the four components besides the tax that are leading to the drilling in Montana and whether or not to provide an FTE. **Dir. Helm** agreed to do so.

Chairman Carlisle recessed until later in the afternoon.

(Meter #17)

Chairman Carlisle reopened the Hearing on HB 2014. **Ms. Karlene Fine, Executive Director and Secretary of the Industrial Commission**, read her testimony regarding the Oil and Gas Research Council into the record (See H#1, OGRC tab). **Chairman Carlisle** asked her how the Council was funded and **Dir. Fine** said through the Oil & Gas Research fund and future funding will come from oil taxes. For the next biennium, the cap is \$1.3 million. During the current

biennium, the Council got \$50,000, but it doesn't appear in the budget because it's a continuing appropriation.

Rep. Timm asked about future projects and **Dir. Fine** said these projects focus on education, research, new technology, and Co² recovery. Those who apply for grants are from the industry. The Council requires a match; this arrangement is a partnership between public and private sector.

Rep. Timm asked if there are any colleges that have training programs for the oil fields. **Dir. Fine** said Williston is considering such a program.

Rep. Thoreson asked if the Director could put together a memo to show how this money is going to be spent and the Director indicated she'd do that.

(Meter #23.9)

Rep. Kempenich pointed out that the budget allows 15% for administration and noted that seemed very high. **Dir. Fine** said this was set up like the Lignite Research Program. There's a contract for a person to do technical work and then the Council reviews the work. The Oil & Gas Research Council hasn't really figured out how to do the staffing.

Rep. Timm asked who directs the Council meetings and **Dir. Fine** said she does that in part since she's the only staff person working with this program, other than Mr. Helm and Mr. Murphy. Mr. Ness gives guidance, too. The Chairman is Wayne Biberdorf.

Rep. Timm brought up \$100,000 funding which the House allotted for training firefighters in the oil field and whether or not her Division helps with this. **Dir. Fine** said the first group who were trained were funded by the Council.

Rep. Timm asked how long the Council members serve and **Dir. Fine** said it was originally set up as 3-2-1, with reappointments to 3 year terms.

Director Fine continued her testimony by referring the Committee to the "Continuing Appropriations" tab (See H#1). With regard to "Cash Bond Fund for Plugging Oil and Gas Wells and Reclamation of Oil" (See H#1, Continuing Appropriations tab) **Rep. Timm** asked why the Agency projected less revenue for the fund, a drop from \$149,700 to \$53,000, and increased expenditures for the next biennium. **Dir. Fine** said the Division has five reclamation sites and they anticipate more work that needs to be done. She wasn't sure about the downturn in the revenue and said she'd follow up on that.

After the Director finished her testimony, **Rep. Timm** asked her how often the Industrial Commission meets and **Dir. Fine** said the Commission meets monthly and generally those meetings last about three hours. **Rep. Kempenich** asked if there were an advisory board on the Mill and **Dir. Fine** said they do not, unless there is a specific project that needs to be considered. **Chairman Carlisle** asked about the Senate's amendment to the Mill & Elevator. **Dir. Fine** said the \$200,000 was added to the Agricultural line item. Originally the Mill had a \$50,000 amount, which has been fairly consistent for special work they do in agriculture. With the amendment, it became \$250,000. Then they took that amount and gave it to the Trade Office. The Mill needs the \$50,000 originally requested. **Chairman Carlisle** said this is something that needs to be considered when two separate budgets are supporting the same entities.

Rep. Timm brought up the fact that the Mill is the only agency in the State with a union contract. He asked for a brief history of why that is and who determines the terms of that contract. **Dir. Fine** said she's been with the Industrial Commission for over 30 years and the Mill has always

had unique contract. Every two years, the management consults with the Industrial Commission as to what they can negotiate with the union. Mr. Taylor will negotiate with the union and report to the Commission periodically. When an agreement is reached, the union votes and the Commission approves. **Rep. Timm** asked if the union could strike and the Director said no.

Rep. Williams asked why the Mill began this practice and the Director said she would do some more research on this issue.

Rep. Kempenich asked for further follow up regarding why there is no advisory board for the Mill. Each advisory board is there for a different reason. The Bank Advisory Board was established when there were concerns about the management of the Bank in the 1970's. There was an interim review and they recommended a board of bankers be established. The Housing Finance Advisory Board was established by statute when the Agency was put into law. The Board for the Municipal Bond Bank was put in place by the Industrial Commission. At various times the Industrial Commission has put together advisory boards to deal with particular issues, but they have not established a permanent board.

Chairman Carlisle closed the hearing on SB 2014.

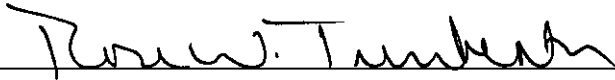
(Meter #51.4)

2005 HOUSE STANDING COMMITTEE MINUTES
BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Wednesday, March 9, 2005

Tape Number	Side A	Side B	Meter #
1		X	6.1-end
2	X		00-3.4
Committee Clerk Signature 			

Minutes:

Chairman Carlisle called the Committee Work on SB 2014 concerning the Industrial Commission to order. He asked **Ms. Karlene Fine, Executive Director and Secretary, Industrial Commission of North Dakota**, who was present to assist the Committee, if there were any need for language in the SB 2014 that if the BND builds on a new sight, the proceeds from the sale of the old sight would be used to help offset construction costs. **Dir. Fine** said the intent has always been that if BND moved off sight, the Agency would sell the land and those proceeds then reduce the amount of money needed for the project. **Chairman Carlisle** repeated the question when **Mr. Eric Hardmeyer, President of the Bank of North Dakota**, entered the room to assist the Committee. **Pres. Hardmeyer** said he would need to consider that.

Rep. Williams talked with the Mayor and thought he was reluctant about destroying the tower. He asked for any further thoughts on the issue. **Pres. Hardmeyer** said he was surprised.

Renovating the tower would not be practical for anybody. It's also a problem for the City because

it obstructs the view at an intersection. The Majority Leader on the Senate side wants it down.

Rep. Thoreson said he got the same impression from the mayor. He also said that the mayor suggested medical facilities might be interested in it.

Chairman Carlisle said the Committee needs to provide language for options on both ends. He asked if this issue came up in the Senate. **Pres. Hardmeyer** said it did not. He said he was concerned about the timing, if and when they sell. He would disfavor holding construction until the former property were sold. The Committee concurred. He explained that the plan, if they choose to build off sight, would be to purchase and construct a new building at \$11 million. The appraisal on the old sight is \$3.4 million, and if the BND received the appraised value for it, that offsets the Agency's costs by that amount. The net outlay of cash would be roughly \$7.5 million.

Rep. Kempenich said that Section 14 regarding leasing would have to be amended. Maybe legislative intent could be included in this section. **Rep. Williams** said that sometimes people get hung up on what's wanted rather than what's financially feasible. **Chairman Carlisle** said the easiest would be to move off site and sell everything. But, if that doesn't work, there has to be a Plan B. **Pres. Hardmeyer** said there are a couple of scenarios. It might make sense to raze both buildings. The location of the old Red Owl building would be a perfect location for a new building, but the present building won't allow construction over the top because of the structure. One of the scenarios would be to move as many as possible into the tower and put others in temporary space; raze the Red Owl building and build there. Once that is constructed, everyone would move into that building while the tower is being razed. **Chairman Carlisle** asked Pres. Hardmeyer if he could write out these scenarios.

Rep. Timm asked about the original intent of the bill and if additional office space was part of the equation. **Pres. Hardmeyer** said that currently the BND uses 51,000-53,000 square feet. The proposal was build 60,000 square feet, so that the Agency could house approximately the same number of employees. He noted that there are others housed with the BND; they provide service in exchange for rent. They use about 2,000 square feet. **Rep. Kempenich** asked what other agencies the Senate planned to move into the new space. **Pres. Hardmeyer** said he wasn't aware of any predetermined agencies. **Chairman Carlisle** said this idea has been out there for two weeks and no agency has come forward to talk about space. He suggested that maybe, the bill should be restored to its original intent, and then be discussed in conference. They should take out Section 14.

Mr. Lynn D. Helms, Director, Oil & Gas Division, N.D. Industrial Commission, was present to help the Committee with regard to the issue of a contingency plan for FTE's should the oil rig count go up. **Rep. Kempenich** asked if Dir. Helms could provide some dollar amounts, starting with the first in line. **Dir. Helms** said the first would be adding a field inspector out of the Dickinson office with salary and benefits at \$90,000 and operating at \$20,000 which would be used for a 4-wheel drive pick-up truck and cell phone. The second would be a plugging and reclamation supervisor out of the Bismarck office with the same salary and benefits and about \$15,000 for operating for an office, computer, and pool vehicle. He suggested the language could read "contingent on a rig count exceeding 30 rigs." This would give the Emergency Commission something to work with. **Chairman Carlisle** asked if Dir. Helms could provide a memo and even though this had already been done, he agreed to do so. **Dir. Helms** suggested that the funding could come from the Land and Minerals Trust Fund. In 1997 when two FTE's were

hired for the seismic program, that's where the money came from and continued for two additional bienniums. Once the program was up and running and judged a good program, the funding was shifted to the general fund. According to Dir. Fine's calculations, the ending balance of the trust fund at the end of the 05-07 biennium of \$436,000, so there's money. He said he had not cleared this with Mr. Preszler. **Chairman Carlisle** asked Dir. Helms to speak with the Land Department on this issue.

(Meter #23.4)

Ms. Karlene Fine, Executive Director and Secretary, Industrial Commission of North Dakota, was present to assist the Committee with issues regarding the N.D. Mill & Elevator. **Chairman Carlisle** brought up an issue that has drawn criticism and that's the overtime issue. He asked why the Mill doesn't just add an additional shift. **Dir. Fine** told the Committee that there is a point in the near future when running 24/7 where a 4th shift will have to be added. Presently, the numbers break even. The employees want the overtime, but there is some question as whether those overtime hours contribute toward retirement benefits. According to union agreement, seniority rules, so they are given first choice on those hours. **Chairman Carlisle** asked if the option of 4-day, 5-day, 7-on and/or 7-off shifts are negotiated in the contract and **Dir. Fine** said the ability to stay with the shifts, the way we have, is negotiated in the contract, all of which is dependent on whether or not there's work.

Rep. Kroeber noted that the union employees at the Mill do not have a right to strike, just as the teachers can't strike.

Rep. Thoreson asked about another practice which has drawn criticism: using an engineer to bag flour, yet paying that worker as an engineer. **Dir. Fine** said she would check into that. She

understood there are groupings of workers, such as the bagging area, the packaging area, maintenance, etc. Someone within that group may help out.

Rep. Timm asked the extent to which the Commission oversees these practices. **Dir. Fine** says that the Commission hires *good* managers. The Commission meets quarterly and Mr. Vance has frequent conversations with members. **Dir. Fine** said she visits with Mr. Vance if not every week, at least every two weeks. **Rep. Timm** said that an operation like that shouldn't be micro-managed, but he pointed to an example of a remodeling project which was completed and simply reported once the project was done. **Dir. Fine** said the manager has to provide a capital budget to the Commission every year and all the expenses must be within those capital line items. He has to justify each project and he reports on each project at quarterly meetings. **Rep. Timm** asked **Dir. Fine** to confirm whether or not the Mill has good oversight and she confirmed. **Rep. Timm** asked if she's well informed with regard to contract negotiations. **Dir. Fine** said when this process begins, they meet monthly. After every negotiation session, he contacts the director to discuss issues. Together they determine if the issue (if it wasn't in the general outline approved by the Committee before the onset of negotiations) should the go back to the Commission. **Rep. Timm** asked what the average increase in wages over the last two years and whether or not it's greater than what the legislature gives state employees. **Dir. Fine** said the last two-year contract included a 2% increase. Prior to that the contract was a 5-year contract and the increase was staggered through the years, with the last increase at 4%.

Rep. Kempenich asked about the capital projects and whether or not the legislature loaned the Mill some money in the past. **Dir. Fine** said all the capital projects are done outside the appropriation process and over the past 30 years, since she has been with the Commission, the

Mill has never used general fund dollars. She said that before the renovation there was discussion about a \$19 million project and the Commission considered bonding for that. The Commission had to come to the legislature to get the authority to do that. As it turned out the Mill & Commission decided not to do the bonding, but rather to use their own cash and borrow from the BND.

(Meter #36.9)

Rep. Williams asked when N.D. got involved with contract labor. **Dir. Fine** said she reviewed past minutes of the Commission for a 4-year period, but so far hasn't found the answer. She may have go find the former general manager.

Chairman Carlisle asked about Section 16 and **Dir. Fine** said that was added by the Senate that dealt with trade office. She reminded the Committee that Mr. Vance had requested that should Section 16 remain, that the Committee increase the Mill's budget by \$50,000 to restore it's ability to use the ag promotion line.

Chairman Carlisle reviewed the work that needs to be done:

- Pres. Hardmeyer will provide a memo regarding the BND property
- Dir. Helms will provide a memo regarding a contingency for FTE's
- Dir. Helms will talk to the Land Department about Land & Minerals Trust
- Section 14 needs to come out if we drop the funding back down
- Dir. Fine will provide a handout regarding the questions about the Mill

Rep. Kroeber said that the interim committee several sessions ago spent a lot of time on the Mill salaries and suggested the report may be helpful. **Rep. Thoreson** asked if a report could be provided. **Dir. Fine** said she would get it. **Rep. Kroeber** followed up on the question about

higher-paid workers doing someone else's tasks. The problem comes when they can't get someone to work that overtime or the one scheduled gets sick, then what happens is the supervisor comes in to do the work. **Rep. Thoreson** said he has heard otherwise.

Ms. Stephanie Johnson, Legislative Council, pointed out that in the commerce bill SB 2018 regarding the trade promotion authority, Section 19 states that the development fund shall provide a grant of up to \$500,000 to the Trade Promotion Authority. **Chairman Carlisle** asked if development fund was a special or general fund and **Ms. Johnson** said special fund. **Chairman Carlisle** repeated the information: there's \$500,000 in SB 2018 to the development fund, a special fund and \$250,000 in Section 16 of this bill, also special funds. **Rep. Timm** asked Dir. Fine if the Trade Promotion Authority is in the Commerce Dept. and whether or not the Mill has it's own. **Dir. Fine** said the Mill does not have its own, but she was uncertain how this process will work. She will get more information.

Dir. Fine asked if she could address an earlier question about the continuing appropriation request at the back of Handout #1 (Feb. 28, 2005) regarding the cash bond fund. **Rep. Kempenich** asked why the revenues were so high during the current biennium and they were dropping back down. The Agency had a \$100,000 cash bond that was forfeited and that goes into the revenues and that's used for the reclamation. The Agency will try to sell to another party who will take over the wells and the bonding of it and keep the wells in operation. If that's not possible, those dollars are there for that. **Dir. Helms** also said that when oil prices are high it's easier to encourage another company to take that well over. There were 13 wells on that \$100,000 bond; half of them have been transferred to CamWest and they're considering the other half. Hopefully,

they'll take another 3 or 4. The process takes a few years; if surface owners complain, the Agency will move quicker.

(Tape 2, Side A)

Rep. Kempenich asked how the Agency gets behind on reclaiming the wells. **Dir. Helm** said orphan wells are a problem for a lot of states. The state of Illinois has 6,000 orphan wells. N.D. doesn't even have 6,000 producing wells. Part of the reason comes from allowing people to put a lot of wells on a blanket bond. Typically those are very responsible companies and they clean up after themselves. Occasionally, there is a person like this one, who goes bankrupt and leaves the Agency with the plugging obligation, and that's why the legislature set up the cash bond fund and the plugging reclamation fund so that all the drilling permit fees and everything go into that fund. The Agency tries not to spend that money. If an operator comes along and put that well back on production, everybody wins. The Agency needs the continuing appropriation because there's no predicting how this will fall out. He also noted that every time the Agency reconsiders rules, they review bonds and make sure they are at least as high as our neighbors.

Rep. Kempenich said he still didn't understand how the Mill could make a \$5 million payment to the State of N.D. **Dir. Fine** said that during the 03-05 biennium, the Mill is expected to make \$9 million and the payment to the State will be \$5 million. The \$4 million stays within their operations and reduces any loans. Last biennium, they didn't make that much, and they borrowed to make the payment. The first year of this biennium, the Mill has made \$5 million and it's not losing money right now.

Chairman Carlisle thanked the representatives from the Industrial Commission for their help and closed the committee work on SB 2014. (Meter #3.4)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Monday, March 14, 2005

Tape Number	Side A	Side B	Meter #
1		X	8.0-17.7
Committee Clerk Signature <i>DWT</i>			

Minutes:

Chairman Carlisle opened discussion on SB 2014 regarding the Industrial Commission budget.

Chairman Carlisle referred the Committee to a Memo dated March 11, 2005, from Director Lynn D. Helms, N.D. Industrial Commission, Oil and Gas Division (See Handout #1). This memo addresses a contingency for additional FTE's should the rig count go up.

Chairman Carlisle referred the Committee to a Memo dated March 14, 2005, from Eric Hardmeyer, President, Bank of North Dakota, which concerns construction options and costs.

Chairman Carlisle brought up the Mill & Elevator and asked about the \$250,000 add-on for the Trade Office. **Rep. Thoreson** said he will review the contract binder Ms. Shari Harms dropped off and share pertinent parts with the Committee.

Rep. Kroeber shared his impression that the Mill & Elevator prefers to be independent rather than attached to the Department of Commerce. **Chairman Carlisle** said Rep. Carlson has the Commerce budget and that he was not sure how this all fits together.

Chairman Carlisle referred the Committee to Section 16 on the green sheet for SB 2014.

"Section 16 provides that the Mill and Elevator Association shall provide a grant of \$250,000 from the Ag Promotion line item to the Trade Promotion Authority. **Rep. Thoreson** said he learned from Ms. Harms that the Trade Promotion Authority is the name the feds use, so they had to call themselves something different. That's when they came up with the N.D. Trade Office. He noted the bill says Trade Promotion Authority, but that would be in the Commerce budget.

Chairman Carlisle said on p. 4 of the green sheet on the Housing Finance Agency, it also says, "increases the special fund spending authority for the Ag Promotion line by \$200,000 for a total of \$250,000." **Rep. Kroeber** said he didn't think it was general fund. **Chairman Carlisle** confirmed it's a special fund. **Rep. Kroeber** said the executive budget started with \$50,000 and the Senate added \$200,000 to it.

Rep. Timm suggested they read the testimony from the Mill & Elevator on p. 6 (See H#1, 2/28/05, State Mill tab):

The Senate made one change to our budget. The Senate directed the mill to transfer \$250,000 to the Trade Promotion Authority (See Section 16 of Engrossed Senate Bill 2014). However, they only provided \$200, 000 for this transfer. We request that you increase the appropriations from \$200,000 to \$250,000.

Chairman Carlisle said this could be further discussed later. He closed the discussion on SB 2014.

(Meter #17.7)

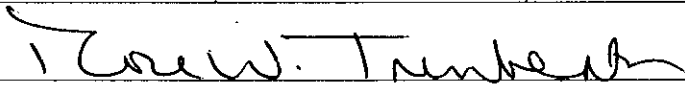
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Wednesday, March 16, 2005

Tape Number	Side A	Side B	Meter #
1		X	2.6-7.5
Committee Clerk Signature 			

Minutes:

Chairman Carlisle opened discussion on SB 2014 concerning the Industrial Commission. He handed out the Amendment .0201 which they reviewed briefly. **Mr. Joe Morrisette** said this concerns a turn back that was included in the Governor's budget, but through an oversight, apparently there wasn't language directing that money to go to the general fund. **Chairman Carlisle** suggested they set that aside until later.

Rep. Kroeber referred to the Memo dated 3/11/05 from Mr. Lynn Helms, Oil & Gas Division (See Handout #1, 3/14/05). He read a portion: "are appropriated from general funds and shall be transferred into the general fund from the Land and Mineral Trust Fund." He pointed out that is complicated and not what is intended. He suggested striking the following language: "general funds that shall be transferred into the general funds from." Then it would read: "Contingencies are appropriated from the Land and Mineral Trust Fund."

Page 2

Government Operations Division

Bill/Resolution Number SB 2014

Hearing Date Wednesday, March 16, 2005

Chairman Carlisle said the Committee could take that up the following day.

Rep. Kempenich said that with regard to the Emergency Commission approval, Sandy stated that if it's over \$50,000, it comes before the budget section.

Chairman Carlisle said that each of these could be addressed in one amendment, which could be addressed in the morning with representatives from the Industrial Commission who will be present to assist. He asked if Legislative Council and OMB would be present, too.

Mr. Allen Knudson, Legislative Council, asked if the Committee had acted on Amendment .0201 and the Committee said no.

Chairman Carlisle ended discussion on SB 2014.

(Meter #7.5)


2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Thursday, March 17, 2005

Tape Number	Side A	Side B	Meter #
1	X		00-end
1		X	00-8.2
Committee Clerk Signature 			

Minutes:

Chairman Carlisle opened discussion on SB 2014 and gave Committee members a Memo dated 3/16/05 from OMB regarding the Agency PC Replacement Information (See Handout #1). He referred them to the BND, Budget #471, p. 5. He asked Ms. Sandy Paulson, OMB, to review the findings. **Ms. Paulson** said when the budgets were put together, the estimates were based on the costs of PC's at that time. Since then, a better rate has come up. Page 5 shows both rates and the difference of \$11,938. It's all special funds and the BND plans to use this to cover short falls in the area of printer replacements and other ITD equipment updates.

Chairman Carlisle noted that Housing and Finance on p. 6 shows a zero difference. **Ms.**

Paulson said that would be special funds also.

Chairman Carlisle asked **Dir. Karlene Fine, Industrial Commission**, who was present to assist the Committee, if she had the answers for the questions regarding the Mill & Elevator. **Dir. Fine** said she did not have that now, but would bring it in later in the morning.

Rep. Timm returned to the computer issue and "office automation PC." He noted that most of the sheets show \$550, but the BND shows \$629. He asked why the difference. **Ms. Paulson** explained that the BND has special requirements on their computers, attachments or software.

Chairman Carlisle referred the Committee to Amendment .0201 which was drafted by OMB to correct an oversight. He asked Ms. Paulson to review it. She explained:

At the time that we developed the executive recommendation and with visits with the BND we determined that there would be \$2.2 million of unobligated funds in the PACE program. I should have included this amendment in the bill at that time and it's something I overlooked and did not include it.

Chairman Carlisle asked the Committee to go to line 8, p. 2 of the bill under "Partnership in assisting community expansion fund" There's already \$5.7 million there. He asked Ms. Paulson why this transfer is necessary. **Ms. Stephanie Johnson, Legislative Council**, informed the Committee that the appropriation part is in section 3. She explained that Section 1 is what this biennium's appropriation was and Section 2 is the enhancement. **Chairman Carlisle** asked if this means adding \$2.2 to the \$5.7. **Ms. Paulson** said there's no addition. She told them to compare the current appropriation in Section 2 with that in Section 3, both are the same amount. The amendment just addresses the funding source. **Chairman Carlisle** asked **President Eric Hardmeyer, BND**, who was present to assist the Committee, what he thought. **Pres.**

Hardmeyer referred to his earlier testimony (See H#1, 2/28/05, BND tab) and the colored maps which are attached. On the "Pace Loan Program" map, there is a box in the upper right hand

corner which shows the biennium buy-down fund. There are a total of \$8.5 million for the biennium, which includes the \$5.7 which was appropriated last session plus roll-over money that wasn't spent. This fund has a continuing appropriation. If there are loans that are pre-paid, the money that is set aside for that buy-down goes back into the fund. The total available for the PACE program in 03-05 biennium is \$8.5 million. He referred the Committee to the second line which shows what BND has spent and funded, through Dec. 31, \$4.183 million. This leaves a balance of \$4.375 million. When the budget was put together, it was decided that the \$2.2 million would be transferred back out of that \$4.3 line. That \$4.3 line will be reduced somewhat base on deals coming in from the end of December to the end of June.

Chairman Carlisle asked Ms. Johnson if that made sense and she confirmed.

Ms. Paulson suggested that the Committee look at the turn-back sheet which shows OMB had the BND down for \$2.2 million. She didn't realized at the time that those monies weren't turned back automatically to the general fund and that special language is needed to accomplish the turn back.

Chairman Carlisle suggested that the Committee restore the BND's original request for \$11 million. **Ms. Stephanie Johnson, Legislative Council**, suggested then that Section 14 be removed. **Rep. Timm** so moved; **Rep. Thoreson** seconded. **Chairman Carlisle** called for Roll Call Vote #1; motion passed 6-0-0.

Chairman Carlisle asked if there were approval for Amendment .0201. **Rep. Kempenich** noted that the \$2.2 is general fund money; **Ms. Paulson** confirmed and that it's being carried over and that it is included in the Governor's budget. **Chairman Carlisle** confirmed that that amount is not being added and **Ms. Paulson** confirmed. **Rep. Timm** wanted to know if the funds aren't

needed, whether or not it could be used someplace else. **Ms. Paulson** said since it was included in the Governor's forecast, it has already been spent. **Rep. Kempenich** pointed out though that there could be as much as \$8 million as the fund grows. **Pres. Hardmeyer** said that post 9/11, or the 01-03 biennium, brought a real reduction in activity in PACE. In previous bienniums, the fund has been up to \$6.5 million and has had a waiting list every biennium prior to 9/11. This is the first time there has been a significant carry over. He visited with the Governor and OMB about the fact that there would be excess money in that fund. The other way to do this would be to reduce the appropriation from \$5.7 to \$3.5. The economic activity is picking up and within the next six months that fund will be reduced. The entire \$4.5 won't be available. **Ms. Paulson** also added that right now there's \$8 million in general funds; for next biennium, it's down to \$5.7 million.

Rep. Kroeber moved to approve .0201; seconded by **Rep. Williams**. Under discussion, **Rep. Timm** asked for further explanation as to where these funds came from. **Pres. Hardmeyer** said the funds came from an appropriation from the legislature to BND to put into the PACE program. There was \$8.75 million appropriated to three funds: PACE, Ag PACE, and Beginning Farmer. Ag PACE and Beginning Farmer are going through their money; there's no residual balance. PACE has residual monies because of reduced activity. These are general fund appropriations. **Rep. Kempenich** asked if the Committee passes the Amendment, could it short change the fund. **Pres. Hardmeyer** said that if there is a residual balance after the \$2.2 million transfer (he anticipates there will be another \$1 million to add to the \$5.7 left in that fund.) It puts the fund at \$6.7 million and that should be sufficient. If not, then people will have to go on a waiting list and the Bank of North Dakota will ask for an emergency appropriation at the end of

the next biennium. **Chairman Carlisle** asked why the Senate didn't do this. **Ms. Paulson** took the blame because she did not catch her mistake until now. **Rep. Timm** asked if these funds have been spent already for something else other than the PACE fund. **Ms. Paulson** said that when OMB put the budget together, they add up the estimated turn back from all the agencies. Normally, all the other agencies just turn it back automatically. In this fund, any extra money would just stay at the Bank. She just forget to put the language in that returns it to the general fund. **Rep. Timm** said this would return it to the general fund, but then it's given back through the appropriation to the program. **Ms. Paulson** confirmed. **Pres. Hardmeyer** said the net would be \$3.5 million actually. **Rep. Timm** asked how much is fresh money. **Pres. Hardmeyer** said \$3.5 million.

Rep. Timm asked that if there's always been a turn back, why can't they turn it over this time. **Ms. Paulson** said this is the first time they thought there would be remaining funds. **Rep. Timm** asked what would happen if they didn't pass the Amendment. **Ms. Paulson** said they would be \$2.2 million short in revenues or the appropriation could be reduced.

Hearing no further discussion, **Chairman Carlisle** asked for Roll Call Vote #2; motion passed 6-0-0.

Chairman Carlisle referred the Committee to the Mill & Elevator green sheet, p. 4, and footnote #1 regarding the \$250,000 grant to the Trade Promotion Authority. He noted that this all started with the Commerce Department at \$75,000. Now, there's \$500,000 in the Commerce budget that Rep. Carlson has. \$250,000 got tagged on by the Senate. He said he felt this ought to be removed and let the Commerce Department work with the Trade Commission Authority. **Rep.**

Kempenich asked if this was a bump for something. **Chairman Carlisle** asked for the genesis of

the \$250,000. **Dir. Karlene Fine, Industrial Commission**, said that Senator Grinberg had asked for the additional funding for the Trade Office and that they wanted the Trade Office to spend more time working on trade deals. They tapped the Mill and Elevator because they are a source that does exports. **Rep. Timm** asked who is on this board and whether or not they are a government agency. **Dir. Fine** said they are not a government agency; it's under contract for the Department of Commerce to do some of the work they're doing right now. She told the Committee that the team is Susan Prochaska Geib, Cherie Harms, Dina Butcher, and Brad Fay. Using an information sheet from the North Dakota Trade Office, **Rep. Thoreson** read the names of the Interim Advisory Board members: Chairman, Lt. Governor Jack Dalrymple; Vice Chairman Rep. Rick Berg; secretary Treasurer, Linda Butts, Director Economic Development and Finance; Neil Whittey, Chairman North Dakota District Export, LAS International; Les Knudson, Superior Grain; Kirk Haws, BOBCAT; and John Rustvang, UPS Business Development Manager (See Handout #2). **Rep. Kroeber** asked how much money they have right now. **Dir. Fine** said she thought the Commerce Department had appropriated \$50,000. **Ms. Paulson** said it was actually \$75,000, part of those fees went to the clerk, Mr. Brad Fey, and part to the N.D. Trade Office.

(Meter #30.6)

Rep. Timm moved to remove the \$250,000...**Dir. Fine** asked if the motion could be phrased \$200,000, so that the original request for \$50,000 would be intact and to take out Section 16. **Chairman Carlisle** restated **Rep. Timm's** motion to remove \$200,000 and Section 16. There was further discussion about Line 14. **Ms. Stephanie Johnson, Legislative Council**, summarized what she thought the Committee intended:

- Remove \$200,000 from the Ag Promotions line item under the Mill's appropriation
- Return that line item back to the original \$50,000
- Remove Section 16

Chairman Carlisle asked for a second and **Rep. Thoreson** seconded.

Under discussion, **Rep. Kroeber** asked what is in the Commerce budget now in addition to the original appropriation which was between \$50,000-\$75,000. **Dir. Fine** said she understood that the Governor's budget included \$500,000. The original appropriation has been used. **Rep.**

Kroeber said that last time they had \$75,000 and now they have \$500,000 even if the Committee removes this \$200,000. **Ms. Paulson** added that the \$500,000 is from the Development Fund.

Chairman Carlisle pointed out that there are two different budgets.

Chairman Carlisle called for Roll Call Vote #3; motion passed, 6-0-0.

Rep. Kempenich told the Committee that it concerns him that the Mill & Elevator is quasi-public, quasi-private. The Industrial Commission oversees the operations, but the legislature does the funding. He moved that a 5-member advisory board to the legislature be formed, which would include a member from both houses, a shipper, representatives from Farm Bureau and Farmer's Union, and would meet twice a year; **Rep. Timm's** seconded. Under discussion, **Rep. Kempenich** said they could report to the Legislative Council in November.

Chairman Carlisle asked Ms. Johnson how to handle the mileage for meetings. **Rep. Kroeber** said that the Industrial Commission is at every budget section; maybe a mill representative could be there, too, to provide the information that's needed. **Chairman Carlisle** asked for clarification that the board is just for reporting; there's no authority given and **Rep. Kempenich** confirmed.

Rep. Timm asked if **Dir. Fine** reports to the Industrial Commission. **Dir. Fine** told the

Committee that each department head reports. **Rep. Timm** asked if an advisory board would be able to head off any problems. He noted the Bank has a board that must deal with problems. **Dir. Fine** said the Industrial Commission has given the Bank board specific responsibilities. They review every loan over \$1 million. They are a group of banking peers that can give advice to Pres. Hardmeyer. They meet with the Industrial Commission on a quarterly basis. **Rep. Timm** asked if she saw any problems with an advisory board proposed by Rep. Kempenich. **Dir. Fine** asked who would make appointments. **Rep. Kempenich** suggested Legislative Council. **Dir. Fine** she would feel comfortable with an advisory board. She did say that the Agency would do more if they are directed to do so. **Rep. Kempenich** said the problem is there no one to ask for it. **Dir. Fine** also told the Committee that the Industrial Commission does meet with the interim committees. **Rep. Kempenich** said he envisioned an ongoing group, not to micro-manage, but to keep abreast of what's going on.

Chairman Carlisle said this is an idea that can be developed further as it progresses to the Full Committee and conference committee. He called for Roll Call Vote #4; motion passed 4-2-0.
(Meter 52.8)

Chairman Carlisle referred the Committee to the Memo dated 3/11/05 from **Director Lynn D. Helms, Oil and Gas Division** (See Handout #1, 3/14/05)
(Tape 1, Side B)

Chairman Carlisle told the Committee that they needed to provide a trigger mechanism for adding two FTE's using the Oil & Minerals Trust Fund if the rig counts gets over 30. **Rep. Kroeber** said that the paragraph "Contingency--Emergency Commission Approval Required" on the third line, where it says after the word "from," we would cross out "general funds that shall

be transferred into the general fund from.” The sentence should read: “Act for the oil and gas contingency are appropriated from the land and minerals trust fund.” **Rep. Kempenich** so moved; **Rep. Kroeber** seconded. **Rep. Timm** asked about the last paragraph of the memo which requests a second contingency. **Rep. Kempenich** said that could taken to the Emergency Commission. If it’s over \$50,000, it will go before the budget section. **Ms. Johnson** gave a rough version of the motion:

- Add a contingency line for the funding under the Industrial Commission
- Funds appropriated in contingency line item, subdivision 1, section 3 of this act, for the Oil and Gas Division, are from the land & minerals trust fund
- If funds are required due to the average drilling rig count exceeding 30 active rigs for each month in consecutive 3-month period, the Oil & Gas Division may spend money from this line item upon Emergency Commission’s approval

Chairman Carlisle called for Roll Call Vote #5; motion passed 6-0-0.

Chairman Carlisle asked Dir. Fine about a note regarding the \$1.3 million Oil & Gas Research Council which is off-budget. **Dir. Fine** said that information will be included in the upcoming memo.

Chairman Carlisle referred the Committee to the Memo dated 3/14/05 (See Handout #2, 3/14/05). The memo shows budget figures for building off-site and on the existing site. It also states that if the property is sold, proceeds will be used against construction costs. The last paragraph confirms that no amendment is needed.

Chairman Carlisle closed committee work on SB 2014.

(Meter #8.2)

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

House Appropriations Committee
Government Operations Division

☐ Conference Committee

Hearing Date Friday, March 18, 2005

Tape Number	Side A	Side B	Meter #
Committee Clerk Signature <i>DWT</i>			

Minutes:

Chairman Carlisle opened discussion on SB 2014 concerning the budget of the Industrial Commission. **Rep. Thoreson** gave Committee members a Memo dated 3/17/05 from President Eric Hardmeyer regarding Amendment .0201 (See Handout #1).

Chairman Carlisle asked Dir. Fine is she had the information previously requested. **Dir. Fine** gave Committee members a Memo dated 3/17/05 (See Handout #2) and told them it provided information on the history of the Mill Profits, Funding of Mill Operations, etc. She said requested information on the Oil & Gas Research Fund would be available later in the day after Mr. Ron Ness reviewed the information.

Chairman Carlisle referred the Committee to Amendment .0204. **Rep. Thoreson** moved to approve; **Rep. Timm** seconded. **Chairman Carlisle** asked Ms. Stephanie Johnson, Legislative Council, to review. **Ms. Johnson** said the Amendment .0204 makes the following changes:

- Reduces the recommended funding for health insurance under each of the divisions
- Adds contingency funding line item, Oil & Gas Division of \$225,000 (See bottom of p. 3)
- Assigns \$225,000 from the lands and minerals trust fund to the Oil and Gas Division to hire up to 2 FTE's (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive 3-month period, upon Emergency Commission Approval (See footnote #1, p. 3) (Also see p. 2, Section 16)
- Removes the \$7.45 million for the new BND building that the Senate had added (See p.4).
This restores the original request of \$11 million
- Removes Section 14 that the Senate added which provided the legislative intent language that the BND shall lease out the additional space
- Added section relating to the \$2.2 million turn back (See p. 2, Section 15). This is unobligated money from the PACE funds
- Removes the \$200,000 the Senate added to the Agriculture Promotion line (See p. 5). This leaves the \$50,000 which was what was in the executive recommendation
- Removes Section 16 which the Senate had added which provided for the transfer of \$250,000 to the Trade Promotion Authority (See p. 5).

Hearing no further discussion, **Chairman Carlisle** called for Roll Call Vote #1; Motion passed 6-0-0.

Chairman Carlisle referred to Amendment .0203 and said **Rep. Kempenich** had an updated version, Amendment .0205, both of which concern a legislative advisory board for the Mill and Elevator. **Rep. Kempenich** said there was a logistical problem with .0203. The new version, Amendment .0205, gives discretion to the chair of the budget section to appoint 3 or 4 legislators

to follow up and meet with the Mill during the interim and report on issues. **Chairman Carlisle** commented that Amendment .0205 looked cleaner. **Rep. Williams** agreed. **Rep. Timm** asked if the Mill & Elevator reports to the budget section now. **Ms. Sheila Peterson, OMB**, said she was not aware of any reporting procedures at present.

Rep. Thoreson moved to reconsider Amendment .0203; **Rep. Kroeber** seconded. Hearing no further discussion, **Chairman Carlisle** called for a voice vote. Motion passed.

Rep. Kempenich moved to approve Amendment .0205; **Rep. Thoreson** seconded. Hearing no further discussion, **Chairman Carlisle** called for Roll Call Vote #2; motion passed 6-0-0.

Rep. Thoreson moved a Do Pass on SB 2014 as amended; **Rep. Kempenich** seconded. Hearing no further discussion, **Chairman Carlisle** called for Roll Call Vote #3; Motion passed, 6-0-0.

Chairman Carlisle thanked those who assisted the Committee. Referring to a question about rig count, **Dir. Fine** told the Committee that it's currently 20. She thanked the Committee for their consideration on SB 2014.

Chairman Carlisle closed discussion on SB 2014.

(Meter #11.6)

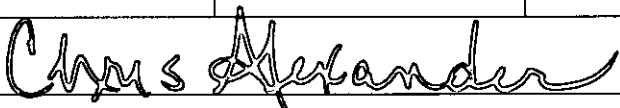
2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2014
Industrial Commission

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 22, 2005

Tape Number	Side A	Side B	Meter #
2	X		#1.8 - #22.9
Committee Clerk Signature 			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2014.

Rep. Blair Thoreson move to adopt amendment #0206 to SB2014

Rep. Ron Carlisle seconded

Rep. Blair Thoreson explained that the first change is the recommended reductions for the health insurance. The next change is the addition of a contingency fund line item for the oil and gas division for \$225,000 from the lands and minerals trust fund for 2 FTEs (an inspector, and a plugging and reclamation supervisor). This would only happen if the average rig count exceeds 30 for each month in any consecutive three month period, to be approved by the Emergency Commission. The current rig count is at 20, but the rate is expected to increase. There is also a change on page 4 dealing with the Bank of North Dakota. The Senate added an additional amount for the new bank building that would have doubled the size from 60,000 square feet to 120,000 square feet. Our committee felt that the original proposal for \$11 million would be

suitable so we removed the additional funding added by the Senate. Our committee also removed section 14 of the engrossed bill that provided the legislative intent for the bank to lease space in this new building to other state agencies. There is a section that deals with a \$2.2 million turnback from PACE funds and Mr. Hardmeier will explain this to the committee.

Mr. Eric Hardmeier from the Bank of North Dakota explained that this amendment transfers \$2.2 million dollars from the PACE program back to the general fund. In review of the usage for the PACE program we realized that deal flow is down and we would end with \$2.5 million balance in the PACE fund. The recommendation to the Governor was to not fully fund the PACE program and the Governor asked that we transfer the balance back to the general fund and then fund the PACE program at its normal level of \$ 5.7 million. This means a net new fund in PACE of about \$3.5 million. These are all continuing appropriations so the balances would have rolled back into the next biennium so this amendment rolls the balance into the general fund.

Rep. Blair Thoreson explained that the amendment on page 5 reduces the funding for Ag promotion. We took \$200,000 from the Ag promotion line item that the Senate put in which leaves them with \$50,000. This also removes section 16 of the engrossed bill that was added by the Senate for the transfer of the \$250,000 from the mill and elevator ag promotion line to the trade promotion authority. Another amendment on page 2, section 30, provides for a required report to the budget section by the manager of the state mill and elevator.

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0206 to SB2014. Motion carried

Rep. Joe Kroeber moved to further amend SB2014 with amendment #0202

Rep. Ole Aarsvold seconded

Rep. Joe Kroeber explained that the budget stabilization fund was established in 1987 and as it stands now any ending fund balance in excess of \$65 million must be transferred into the budget stabilization fund until the balance of the fund exceeds 5% of the current biennial state general fund budget. Our current general fund budget is \$2 billion, which makes the total allowed in the fund to be \$100 million. The remainder must be transferred into the general fund. This amendment would lower that amount to 2% of the current biennial state general fund which would total \$40 million using this biennium's figures. The amount of bowers in the fund forecast is about \$63.6 million as of March. This amendment would lower that amount by about \$23.6 million. This \$23.6 million could then be used for additional education, human services, corrections costs, or additional investments. The amount held in this fund has changed a number of times since 1987 and remember that the \$40 million still left in this fund is \$40 million more than was in this fund in the last few biennia.

Rep. Ken Svedjan, Chairman clarified that this would decrease the ceiling from 5% to 2% on the budget stabilization fund. (meter Tape #2, side A, #9.5)

Rep. Joe Kroeber explained that the ceiling would be set at \$40 million and the rest would go into the general fund automatically.

Rep. Ken Svedjan, Chairman clarifies that the remaining \$40 million could not be accessed unless projected revenues decline by 2.5 % or more.

Rep. Mike Timm, Vice Chairman asked if this section of law is germane to the industrial commission's budget.

Rep. Joe Kroeber answered that legislative council suggested that this amendment should go in SB2014. So this is why it is here.

Ms Stephanie Johnson from legislative council answered that she would find out the specifics

Rep. Keith Kempenich commented that the recent balance said that we were still \$28 million in the hole.

Rep. Joe Kroeber answered that the March forecast reported a balance of \$63.6 million in the budget stabilization fund as of March. Even with all the changes there is still \$63.6 million currently in the fund.

Rep. Al Carlson commented that earlier we voted to maintain the budget stabilization fund and those guidelines were all firmly established when we all voted on that bill.

Rep. Joe Kroeber answered that changes from the March forecast and the changes in the permanent oil trust fund as well as changes in this will allow the state more money to invest in the state.

Rep. Al Carlson commented that we need to look to the next biennium to see where we will be after normal growth.

Rep. Joe Kroeber answered that yes this has all been rectified using the numbers from the March forecast.

Rep. Ken Svedjan, Chairman commented that the intent of the discussion was concerning the sustainability of the fund.

Rep. Joe Kroeber answered that all of these numbers still come out to what the Governor recommended which would be assumed to be able to sustain our funding. (meter Tape #2, side A, #15.4)

Rep. Ken Svedjan, Chairman commented that there was a 6% spread in the executive recommendation with regard to the increased spending compare to projected revenues.

Ms Stephanie Johnson commented in answer to the question of whether this amendment is germane to this budget. Legislative council was requested to prepare this amendment for a Senate appropriations bill and this seemed to be the best fit. It is up to this committee to decide if this is germane to this bill or not.

Rep. Ken Svedjan, Chairman stated that he would allow amendment #0202.

Rep. Eliot Glassheim asked if there were numbers that project significant decreases in the next biennium.

Rep. Ken Svedjan, Chairman stated that these projections were based on the Executive recommendation. If the Executive recommendation was approved as it was, expenses would increase by 11.3% against revenues projected at 5.3%. With the March forecast those revenues are up to 5.5%. With a \$2 billion budget this 6% spread translates into \$120 million dollars. When you spread this out to the out years we would be looking at a \$173 million shortfall in two years. These numbers are changing daily and many other changes could occur but this is based on the projections from Economy.com and the expenditures were based on the average percentage increase in expenditures over the last 10 years.

Rep. Joe Kroeber requested a roll call vote on amendment #0202.

Rep. Ken Svedjan, Chairman called for a roll call vote on the motion to adopt amendment #0202 to SB2014. Motion failed with a vote of 8 yeas, 14 neas, and 1 absence.

Rep. Blair Thoreson moved a Do Pass As Amended motion to SB2014.

Rep. Ron Carlisle seconded

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House Appropriations Committee
Bill/Resolution Number SB2014
Hearing Date March 22, 2005

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion for SB2014. Motion carried with a vote of 19 yeas, 3 nays and 1 absence. Rep Thoreson will carry the bill to the house floor.

Rep. Joe Kroeber requested a minority report on amendment #0202. (withdrawn the next day)

Rep. Ken Svedjan, Chairman closed the discussion on SB2014.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2014
Industrial Commission

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 22, 2005

Tape Number	Side A	Side B	Meter #
2	X		#53.4 - # end
2		X	#0 - #1.0
Committee Clerk Signature <i>Chris Alexander</i>			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2014.

Rep. Bob Skarphol moved to reconsider the committee's action on SB2014 to review the new bank building in the budget.

Rep. David Monson seconded

Rep. Blair Thoreson commented that he would be happy to answer any questions about this issue.

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to reconsider the committee's actions on SB2014. Vote was uncertain and a roll call vote was called. Motion failed with a vote of 8 yeas, 12 neas and 3 absent.

Rep. Ken Svedjan, Chairman closed the discussion on SB2014.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2014
Industrial Commission

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 23, 2005

Tape Number	Side A	Side B	Meter #
1	X		#0 - #3.3
Committee Clerk Signature <i>Chris Alexander</i>			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2014.

Rep. Bob Skarphol moved to divide the question to remove the new bank building for the Bank of North Dakota from SB2014 so that it is able to voted on separate from the Industrial Commission's budget.

Rep. Al Carlson seconded

Rep. Ken Svedjan, Chairman called for a voice vote to accept motion. Motion carried. Rep.

Svedjan closed the discussion on SB2014.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2014
Industrial Commission

House Appropriations Full Committee

☐ Conference Committee

Hearing Date March 30, 2005

Tape Number	Side A	Side B	Meter #
1	X		#0 - #40.4
Committee Clerk Signature <i>Chris Alexander</i>			

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on SB2014.

Rep. Bob Skarphol moved to reconsider the committee's actions on SB2014

Rep. David Monson seconded

Rep. Ron Carlisle asked why we needed to reconsider this

Rep. Bob Skarphol explained that this is the only procedural way to divide the question so that we can debate the bank building issue on the floor. Some of us believe there are more appropriate things to spend \$11 million on. It is not the analysis done by the committee that is in question, it is whether or not we should spend \$11 million on a new bank building when there are so many other things that we could spend it on.

Rep. Ron Carlisle explained that the \$11 million would all be paid from creating another assets in the bank, not from the profits of the Bank of North Dakota. The bank is over 85 years old and the industrial commission would make the decision to either sell the property and build

somewhere else or raise the building and build on the same site. If they sell the property they would receive \$3 million to put against the cost of the new building. If they build on the same site they would set the new building further back on the property which would increase the visibility on the corner and improve the safety of the intersection. Both options are an improvement. They had a plans in place for both options and the Governor agreed that this was needed because it is allowed in the executive recommendation. The committee should resist this motion to reconsider this bill. Rep Carlisle requested a roll call vote on this motion.

Rep. Earl Rennerfeldt commented that this is an asset to bank and would have minimal impact on the bank and their profits. The committee should support the bank building and not reconsider this bill.

Rep. Jeff Delzer commented that he would vote to support this motion because we should give any member of this committee the opportunity to discuss their concerns on the house floor.

Rep. Clark Williams commented that the old bank building is not longer functioning and they are paying for the new building themselves, please resist the motion to reconsider this bill..

Rep. Mike Timm, Vice Chairman asked if Rep Skarphol would have the opportunity to discuss the bank building on the house floor if we reconsider this bill

Rep. Bob Skarphol explained that dividing the question is only possible if it done while the bill is being adopted in committee. He failed to do this while the bill was originally discussed and apologized for it, but he cannot divide the question unless the committee votes to reconsider their actions on the bill. This is the request being made.

Rep. Al Carlson commented that he did not understand the procedure on this and do not see why this couldn't be divided on the floor as it is.

Rep. Bob Skarphol answered that Mr. Buringrud from legislative council should come down to explain.

Rep. Bob Martinson explained that the committee amended the bill to decrease the amount put in by the Senate. Rep Skarphol was told that if this question was divided on the floor, the division could not stand on its own so the question would revert back to the Senate recommendation, which is even more money. This has to be divided at the committee level in order to avoid this. (meter Tape #1, side A, #8.2)

Rep. Al Carlson asked if this would have been okay to do if it had been our own amendment.

Rep. Bob Martinson answered no and further explained that to change our amendment would have been to kill it and then the Senate's recommendation would have stood. There was no third option to kill the bank building altogether. This is what would have been needed.

Rep. Jeff Delzer explained that the bank building was a general fund appropriation and that is why it cannot be divided. Had the money been in a line item of the bill then it could have been removed.

Rep. Bob Martinson explained that this was correct.

Rep. Mike Timm, Vice Chairman commented that the committee had to make this a separate issue in order to divide the question.

Rep. Bob Skarphol explained that legislative council said that if this bill was reconsidered in committee then the request would need to be made to remove the funding for the bank building. If this is accepted by the committee then it would be good, if it is not accepted then a request can be made for a minority report so that the issue could be discussed on the house floor.

Rep. Eliot Glassheim explained that Rep Skarphol could request a minority report and supported the motion to reconsider this bill, even though he supported the funding for the bank building.

Rep. David Monson commented that there needed to be a third choice concerning this issue on the house floor. (meter Tape #1, side A, #11.0)

Rep. Ken Svedjan, Chairman called for a roll call vote on the motion to reconsider the committee's actions on SB2014. Motion carried with a vote of 12 yeas, 11 nays, and 0 absences.

Rep. Bob Skarphol moved to remove money for the bank building in SB2014.

Rep. Jeff Delzer seconded

Rep. Blair Thoreson commented that the committee should resist the motion to remove the funding since the case has been made that the bank building is needed and the \$11 million costs is more appropriate than the \$18 million.

Rep. Ron Carlisle commented that we should keep the money for the building. There is no debt for this project and it will not effect the bank's profits so there is no reason to deny this funding

Rep. Mike Timm, Vice Chairman commented that he thought this issue ought to be brought to the house floor, but that he was in support of the bank building.

Rep. Bob Skarphol commented that he hoped the committee would reject this motion because then the question could be divided on the floor and we wouldn't have to put any money back in later.

Mr. Jay Buringrud from legislative council explained the process by which this bill can be divided for discussion on the house floor. There was a detailed discussion about process for this in the committee.

Rep. Jeff Delzer asked what the cost would be to refurbish the building already in place.

Rep. Ron Carlisle reviewed the costs of each option.

Rep. Jeff Delzer asked if it was possible to fix up this older building rather than spending the full amount to build a whole new building, whether it is one the same location or a new one. This building is a great old building and it seems wrong to tear down or sell a part of North Dakota history..

Rep. Ken Svedjan, Chairman called for a roll call vote on the motion to remove the appropriation for the bank building in SB2016. Motion failed with a vote of 7 yeas, 15 nays and 1 absence. Rep Skarphol requested a minority report.

Rep. David Monson moved to amend SB2014 with amendment #0209 which removes the sunset for allowing the state to purchase oil put options..

Rep. Bob Skarphol seconded

Rep. Ken Svedjan, Chairman called for a voice vote on the motion to adopt amendment #0209. Motion carried.

Mr. Jay Buringrud explained the procedure needed for the minority report

Rep. Blair Thoreson moved a Do Pass As Amended to SB2014

Rep. Ron Carlisle seconded

Rep. Ken Svedjan, Chairman called for a roll call vote on the Do Pass As Amended motion for SB2014. Motion carried with a vote of 16 yeas, 7 nays and 0 absences. Rep Thoreson will carry the bill to the house floor.

Mr. Jay Buringrud explained that a roll call vote is needed to define what would be included in the minority report. There was a detailed discussion of this process.

Rep. Bob Skarphol moved to request a minority report that would include the separation of the bank building from the majority report.

Rep. Al Carlson seconded

Rep. Blair Thoreson asked if this roll call vote would effect the passage of SB2014.

Mr. Jay Buringrud answered that this would have no effect on the majority report. This vote is strictly on what will be included in the minority report.

Rep. Bob Martinson asked for an explanation on this process at some point because it seems that the sixth order defines all of these issues.

Rep. Ken Svedjan, Chairman called for a roll call vote on the motion for the minority report. Motion failed with a vote of 7 yeas, 16 nays, and 0 absences. Rep Skarphol will carry the minority report to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on SB2014.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 6, remove "and" and after "54-17.4-07" insert "; and 54-27.2-01"

Page 1, line 7, replace "and" with a comma

Page 1, line 8, after "resources" insert ", and the budget stabilization fund"

Page 17, after line 6, insert:

"SECTION 30. AMENDMENT. Section 54-27.2-01 of the North Dakota Century Code is amended and reenacted as follows:

54-27.2-01. Budget stabilization fund. The budget stabilization fund is a special fund in the state treasury. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10. Any interest or other budget stabilization fund earnings must be deposited in the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund to an amount greater than ~~five~~ two percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

A section is added, effective July 1, 2005, which provides that the balance in the budget stabilization fund may not exceed 2 percent of the general fund budget, rather than the current 5 percent.

Minority Report
Requested on
this Amendment
was withdrawn
the next day.

March 17, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 3, after "to" insert "create and enact a new section to chapter 54-18 of the North Dakota Century Code, relating to the creation of a state mill and elevator monitoring board; to"

Page 17, after line 6, insert:

"SECTION 30. A new section to chapter 54-18 of the North Dakota Century Code is created and enacted as follows:

State mill and elevator association monitoring board - Membership - Report.

1. The state mill and elevator monitoring board consists of one member of the house of representatives, appointed by the speaker of the house; one member of the senate, appointed by the president of the senate; one member of the North Dakota farm bureau, appointed by the legislative council; one member of the North Dakota farmers union, appointed by the legislative council; and one member of the North Dakota grain dealers association, appointed by the legislative council. The term of office for each member of the board is three years except that the initial terms of office must be staggered by lot so that one position becomes vacant after one year, two positions become vacant after two years, and the remaining two positions become vacant after three years. The entity making the initial appointment shall also make future appointments. The legislative council shall designate either the member of the house of representatives or the member of the senate as the chairman of the board.
2. The board shall meet at least twice during each legislative interim to monitor the activities of the state mill and elevator association. The board shall report its findings and recommendations to the legislative council."

Renumber accordingly

Date: 3/17/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken amend SB 2014 to reduce funding for
ISND instruction from \$18 mil to \$11 million &
Motion Made By Rep Timm Seconded By Rep. Thoreson remove
sent
14

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 8, after line 23, insert:

**"SECTION 16. UNOBLIGATED MONEYS IN PARTNERSHIP FOR
COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND.**

Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, shall be transferred to the general fund during July 2005."

Page 17, line 7, after the second boldfaced period insert "Section 16," and replace "The" with "the"

Page 17, line 8, after the first "Act" insert a comma

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment requires the Bank of North Dakota to transfer \$2.2 million of unobligated moneys from the partnership in assisting community expansion fund to the general fund at the end of the 2003-05 biennium.

Date: 3
Roll Call Vote #: 2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House	<u>House Appropriations Government Operations</u>	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number 58614.0201

Action Taken Apprime .0201

Motion Made By Rep. Kroeber Seconded By Rep. Williams

[illegible]

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/17/05
Roll Call Vote #: 3

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken remove 200,000 of section 16

Motion Made By Rep. Tim Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/17
Roll Call Vote #: 4

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken amend to for legislative advisory board

Motion Made By Rep Kempenich Seconded By Rep Timm

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber		✓
Rep. Timm	✓		Rep. Williams		✓
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/17/05
Roll Call Vote #: 5

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken amend to provide contingency FTE's
Motion Made By Rep. Kempenich Seconded By Rep. Kroeber
funded through Oil & Gas Trust Fund

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

March 17, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 3, line 5, replace "\$173,615" with "\$205,071"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:

"Oil and gas division contingency" 225,000"

Page 3, line 10, replace "6,198,090" with "6,391,634"

Page 3, line 11, replace "6,363,049" with "6,583,689"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 19, replace "13,551,518" with "12,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 30, replace "2,675,102" with "2,659,252"

Page 4, line 2, replace "468,942" with "446,894"

Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "24,174,611"

Page 4, line 8, replace "22,730,650" with "21,607,556"

Page 4, line 17, replace "6,071,048" with "6,039,592"

Page 4, line 21, replace "27,292,412" with "27,292,412"

Page 4, after line 21, insert:

"Oil and gas division contingency" 225,000"

Page 4, line 22, replace "50,516,810" with "50,710,354"

Page 4, line 23, replace "43,654,885" with "43,875,525"

Page 4, line 24, replace "6,840,444" with "6,834,829"

Page 4, line 27, replace "18,176,480" with "18,153,392"

Page 4, line 29, replace "18,722,000" with "11,272,000"

Page 4, line 31, replace "49,524,145" with "42,051,057"

Page 5, line 11, replace "17,348,241" with "17,332,391"

Page 5, line 14, replace "250,000" with "50,000"

Page 5, line 15, replace "32,857,254" with "32,641,404"

Page 5, line 18, replace "4,382,167" with "4,376,801"

Page 5, line 22, replace "33,879,025" with "33,873,659"

Page 5, line 23, replace "12,540,444" with "12,534,829"

Page 5, line 24, replace "162,286,824" with "154,816,645"

Page 5, line 25, replace "174,827,268" with "167,351,474"

Page 8, remove lines 9 through 18

Page 8, after line 23, insert:

**"SECTION 15. UNOBLIGATED MONEYS IN PARTNERSHIP FOR
COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND.**

Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, shall be returned to the general fund and considered general fund turnback.

**SECTION 16. CONTINGENT OIL AND GAS DIVISION FUNDING -
EMERGENCY COMMISSION APPROVAL.** The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 8, remove lines 24 through 26

Page 17, line 8, replace "15" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>224,125</u>	<u>43,875,525</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
Bank of North Dakota				
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency				
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$168,474,568	\$174,827,268	(\$7,475,794)	\$167,351,474
Less estimated income	<u>155,912,643</u>	<u>162,286,824</u>	<u>(7,470,179)</u>	<u>154,816,645</u>
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829

Senate Bill No. 2014 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,071,048	\$6,046,082	(\$6,490)	\$6,039,592
Operating expenses	1,907,850	1,907,850		1,907,850
Capital assets	45,500	45,500		45,500
Lignite research and development	15,200,000	15,200,000		15,200,000
Grants - Bond payments	27,292,412	27,292,412		27,292,412
Oil and Gas Division contingency			<u>225,000</u>	<u>225,000</u>
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>224,125</u>	<u>43,875,525</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
FTE	51.37	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$6,490)		(\$6,490)
Operating expenses			
Capital assets			
Lignite research and development			
Grants - Bond payments			
Oil and Gas Division contingency		<u>\$225,000</u>	<u>225,000</u>
Total all funds	(\$6,490)	\$225,000	\$218,510
Less estimated income	<u>(875)</u>	<u>225,000</u>	<u>224,125</u>
General fund	(\$5,615)	\$0	(\$5,615)
FTE	0.00	0.00	0.00

¹ This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392
Operating expenses	12,108,200	10,925,665		10,925,665
Capital assets	11,272,000	18,722,000	(7,450,000)	11,272,000
Contingencies	1,700,000	1,700,000		1,700,000
PACE fund	5,700,000	5,700,000		5,700,000
Agriculture PACE fund	1,425,000	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000	950,000		950,000
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
FTE	178.50	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REMOVES ADDITIONAL FUNDING FOR NEW BANK BUILDING ADDED BY SENATE 1	TOTAL HOUSE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses		(\$7,450,000)	(7,450,000)
Capital assets			
Contingencies			
PACE fund			
Agriculture PACE fund			
Beginning farmer revolving loan fund			
Total all funds	(\$23,088)	(\$7,450,000)	(\$7,473,088)
Less estimated income	<u>(23,088)</u>	<u>(7,450,000)</u>	<u>(7,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

1 This amendment removes the additional \$7,450,000 of spending authority added by the Senate to increase the size of the new Bank of North Dakota building, resulting in a total of \$11 million available for the new Bank building.

This amendment also removes Section 14 of the bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies and adds a section to provide for the Bank of North Dakota to turn back unobligated general fund moneys of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801
Operating expenses	2,805,578	2,805,578		2,805,578
Grants	26,591,280	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)

Less estimated income	<u>(5,366)</u>	<u>(5,366)</u>
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391
Operating expenses	14,959,013	14,959,013		14,959,013
Contingencies	300,000	300,000		300,000
Agriculture promotion	<u>50,000</u>	<u>250,000</u>	<u>(200,000)</u>	<u>50,000</u>
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REDUCES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$15,850)		(\$15,850)
Operating expenses			
Contingencies			
Agriculture promotion		<u>(\$200,000)</u>	<u>(200,000)</u>
Total all funds	(\$15,850)	(\$200,000)	(\$215,850)
Less estimated income	<u>(15,850)</u>	<u>(200,000)</u>	<u>(215,850)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the \$200,000 addition made by the Senate to the agriculture promotion line item, resulting in a total of \$50,000 for agriculture promotion.

This amendment also removes Section 16 of the bill added by the Senate for the transfer of \$250,000 from the Mill and Elevator's agriculture promotion line to the Trade Promotion Authority.

Date: 3/18/05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58014.0204

Action Taken Approved 0204

Motion Made By Rep. Thoreson Seconded By Rep. Timm

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 8, after the semicolon insert "to provide for a report to the legislative council;"

Page 17, after line 6, insert:

"SECTION 30. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO BUDGET SECTION. The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform legislators about the role, mission, and operations of the state mill and elevator association."

Renumber accordingly

Date: 3/18/05
Roll Call Vote #: #2

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58014.0205

Action Taken Apprve 0.205

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

Page 1, line 8, after the semicolon insert "to provide for a report to the legislative council;"

Page 3, line 5, replace "\$173,615" with "\$205,071"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:

"Oil and gas division contingency" 225,000"

Page 3, line 10, replace "6,198,090" with "6,391,634"

Page 3, line 11, replace "6,363,049" with "6,583,689"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 19, replace "13,551,518" with "12,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 30, replace "2,675,102" with "2,659,252"

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Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "24,174,611"

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Page 4, line 17, replace "6,071,048" with "6,039,592"

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Page 5, line 24, replace "162,286,824" with "154,816,645"

Page 5, line 25, replace "174,827,268" with "167,351,474"

Page 8, remove lines 9 through 18

Page 8, after line 23, insert:

**"SECTION 15. UNOBLIGATED MONEYS IN PARTNERSHIP FOR
COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND.**

Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, shall be returned to the general fund and considered general fund turnback.

**SECTION 16. CONTINGENT OIL AND GAS DIVISION FUNDING -
EMERGENCY COMMISSION APPROVAL.**

The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 8, remove lines 24 through 26

Page 17, after line 6, insert:

**"SECTION 30. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO
BUDGET SECTION.**

The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform

legislators about the role, mission, and operations of the state mill and elevator association."

Page 17, line 8, replace "15" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
Bank of North Dakota				
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	45,704,797	51,899,145	(7,473,088)	44,426,057
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency				
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	33,895,707	33,879,025	(5,366)	33,873,659
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	32,657,254	32,857,254	(215,850)	32,641,404
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$168,474,568	\$174,827,268	(\$7,475,794)	\$167,351,474
Less estimated income	155,912,643	162,286,824	(7,470,179)	154,816,645
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829

Senate Bill No. 2014 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,071,048	\$6,046,082	(\$6,490)	\$6,039,592
Operating expenses	1,907,850	1,907,850		1,907,850
Capital assets	45,500	45,500		45,500
Lignite research and development	15,200,000	15,200,000		15,200,000
Grants - Bond payments	27,292,412	27,292,412		27,292,412
Oil and Gas Division contingency			225,000	225,000
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
FTE	51.37	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$6,490)		(\$6,490)
Operating expenses			
Capital assets			
Lignite research and development			
Grants - Bond payments			
Oil and Gas Division contingency		\$225,000	225,000
Total all funds	(\$6,490)	\$225,000	\$218,510
Less estimated income	(875)	225,000	224,125
General fund	(\$5,615)	\$0	(\$5,615)
FTE	0.00	0.00	0.00

¹ This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392
Operating expenses	12,108,200	10,925,665		10,925,665
Capital assets	11,272,000	18,722,000	(7,450,000)	11,272,000
Contingencies	1,700,000	1,700,000		1,700,000
PACE fund	5,700,000	5,700,000		5,700,000
Agriculture PACE fund	1,425,000	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000	950,000		950,000
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
FTE	178.50	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REMOVES ADDITIONAL FUNDING FOR NEW BANK BUILDING ADDED BY SENATE ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses			
Capital assets		(\$7,450,000)	(7,450,000)
Contingencies			
PACE fund			
Agriculture PACE fund			
Beginning farmer revolving loan fund			
Total all funds	(\$23,088)	(\$7,450,000)	(\$7,473,088)
Less estimated income	<u>(23,088)</u>	<u>(7,450,000)</u>	<u>(7,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the additional \$7,450,000 of spending authority added by the Senate to increase the size of the new Bank of North Dakota building, resulting in a total of \$11 million available for the new Bank building.

This amendment also removes Section 14 of the engrossed bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies and adds a section to provide for the Bank of North Dakota to turn back unobligated general fund moneys of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801
Operating expenses	2,805,578	2,805,578		2,805,578
Grants	26,591,280	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)
Less estimated income	<u>(5,366)</u>	<u>(5,366)</u>
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391
Operating expenses	14,959,013	14,959,013		14,959,013
Contingencies	300,000	300,000		300,000
Agriculture promotion	<u>50,000</u>	<u>250,000</u>	<u>(200,000)</u>	<u>50,000</u>
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REDUCES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$15,850)		(\$15,850)
Operating expenses			
Contingencies			
Agriculture promotion		<u>(\$200,000)</u>	<u>(200,000)</u>
Total all funds	(\$15,850)	(\$200,000)	(\$215,850)
Less estimated income	<u>(15,850)</u>	<u>(200,000)</u>	<u>(215,850)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the \$200,000 addition made by the Senate to the agriculture promotion line item, resulting in a total of \$50,000 for agriculture promotion.

This amendment also removes Section 16 of the engrossed bill added by the Senate for the transfer of \$250,000 from the Mill and Elevator's agriculture promotion line to the Trade Promotion Authority and adds a section to require the state Mill and Elevator Association to present an annual report to the Budget Section.

Date: 3/18/05
Roll Call Vote #: 3

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2014

House House Appropriations Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58014.0206

Action Taken DO PASS SB 2014 AS AMENDED

Motion Made By Rep. Thoreson Seconded By Rep. Kempenich

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	✓		Rep. Kroeber	✓	
Rep. Timm	✓		Rep. Williams	✓	
Rep. Kempenich	✓				
Rep. Thoreson	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep. Thoreson

If the vote is on an amendment, briefly indicate intent:

Reconsider
SB2014

Date: 3/22/05
Roll Call Vote #: 3

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. _____

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken _____

Motion Made By Skarphol Seconded By Monson

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	✓		Rep. Bob Skarphol	✓	
Rep. Mike Timm, Vice Chairman		✓	Rep. David Monson	✓	
Rep. Bob Martinson		✓	Rep. Eliot Glassheim	✓	
Rep. Tom Brusegaard	AB		Rep. Jeff Delzer	✓	
Rep. Earl Rennerfeldt		✓	Rep. Chet Pollert	✓	
Rep. Francis J. Wald		✓	Rep. Larry Bellew	✓	
Rep. Ole Aarsvold	AB		Rep. Alon C. Wieland		✓
Rep. Pam Gulleeson		✓	Rep. James Kerzman		✓
Rep. Ron Carlisle		✓	Rep. Ralph Metcalf		✓
Rep. Keith Kempenich	AB				
Rep. Blair Thoreson		✓			
Rep. Joe Kroeber		✓			
Rep. Clark Williams		✓			
Rep. Al Carlson	✓				

Total (Yes) 8 No 12

Absent 3

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Fails

Date: March 22, 2005
Roll Call Vote #: 0

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014

House Appropriations - Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 58014.0206

Action Taken DO PASS AS AMENDED

Motion Made By Rep Thoreson Seconded By Rep Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	AB		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew		X
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Guleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson		X			

Total Yes 19 No 3

Absent 1

Floor Assignment Rep Thoreson

If the vote is on an amendment, briefly indicate intent:

Minority Report requested by Rep Kroeber *withdrawn 2/23*

Rep Skarphol requested a division of the Bank Building from SB2014 .

REPORT OF STANDING COMMITTEE

SB 2014: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). SB 2014 was placed on the Sixth order on the calendar.

Page 1, line 8, after the semicolon insert "to provide for a report to the legislative council;"

Page 3, line 5, replace "\$173,615" with "\$205,071"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:

"Oil and gas division contingency 225,000"

Page 3, line 10, replace "6,198,090" with "6,391,634"

Page 3, line 11, replace "6,363,049" with "6,583,689"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 19, replace "13,551,518" with "12,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 30, replace "2,675,102" with "2,659,252"

Page 4, line 2, replace "468,942" with "446,894"

Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "24,174,611"

Page 4, line 8, replace "22,730,650" with "21,607,556"

Page 4, line 17, replace "6,071,048" with "6,039,592"

Page 4, line 21, replace "27,292,412" with "27,292,412"

Page 4, after line 21, insert:

"Oil and gas division contingency 225,000"

Page 4, line 22, replace "50,516,810" with "50,710,354"

Page 4, line 23, replace "43,654,885" with "43,875,525"

Page 4, line 24, replace "6,840,444" with "6,834,829"

Page 4, line 27, replace "18,176,480" with "18,153,392"

Page 4, line 29, replace "18,722,000" with "11,272,000"

Page 4, line 31, replace "49,524,145" with "42,051,057"

Page 5, line 11, replace "17,348,241" with "17,332,391"

Page 5, line 14, replace "250,000" with "50,000"

Page 5, line 15, replace "32,857,254" with "32,641,404"

Page 5, line 18, replace "4,382,167" with "4,376,801"

Page 5, line 22, replace "33,879,025" with "33,873,659"

Page 5, line 23, replace "12,540,444" with "12,534,829"

Page 5, line 24, replace "162,286,824" with "154,816,645"

Page 5, line 25, replace "174,827,268" with "167,351,474"

Page 8, remove lines 9 through 18

Page 8, replace lines 24 through 26 with:

"SECTION 15. UNOBLIGATED MONEYS IN PARTNERSHIP FOR COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND.

Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, must be returned to the general fund and considered general fund turnback.

SECTION 16. CONTINGENT OIL AND GAS DIVISION FUNDING - EMERGENCY COMMISSION APPROVAL.

The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 17, after line 6, insert:

"SECTION 30. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO BUDGET SECTION.

The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform legislators about the role, mission, and operations of the state mill and elevator association."

Page 17, line 8, replace "15" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
Bank of North Dakota				
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	45,704,797	51,899,145	(7,473,088)	44,426,057
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency				
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	33,895,707	33,879,025	(5,366)	33,873,659
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	32,657,254	32,857,254	(215,850)	32,641,404
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$168,474,568	\$174,827,268	(\$7,475,794)	\$167,351,474
Less estimated income	155,912,643	162,286,824	(7,470,179)	154,816,645
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829

Senate Bill No. 2014 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,071,048	\$6,046,082	(\$6,490)	\$6,039,592
Operating expenses	1,907,850	1,907,850		1,907,850
Capital assets	45,500	45,500		45,500
Lignite research and development	15,200,000	15,200,000		15,200,000
Grants - Bond payments	27,292,412	27,292,412		27,292,412
Oil and Gas Division contingency			225,000	225,000
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
FTE	51.37	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$6,490)		(\$6,490)
Operating expenses			
Capital assets			
Lignite research and development			
Grants - Bond payments			
Oil and Gas Division contingency		\$225,000	225,000
Total all funds	(\$6,490)	\$225,000	\$218,510
Less estimated income	(875)	225,000	224,125
General fund	(\$5,615)	\$0	(\$5,615)
FTE	0.00	0.00	0.00

¹ This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392
Operating expenses	12,108,200	10,925,665		10,925,665
Capital assets	11,272,000	18,722,000	(7,450,000)	11,272,000
Contingencies	1,700,000	1,700,000		1,700,000
PACE fund	5,700,000	5,700,000		5,700,000
Agriculture PACE fund	1,425,000	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000	950,000		950,000
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
FTE	178.50	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REMOVES ADDITIONAL FUNDING FOR NEW BANK BUILDING ADDED BY SENATE ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses			
Capital assets		(\$7,450,000)	(7,450,000)
Contingencies			
PACE fund			
Agriculture PACE fund			
Beginning farmer revolving loan fund			
Total all funds	(\$23,088)	(\$7,450,000)	(\$7,473,088)
Less estimated income	<u>(23,088)</u>	<u>(7,450,000)</u>	<u>(7,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the additional \$7,450,000 of spending authority added by the Senate to increase the size of the new Bank of North Dakota building, resulting in a total of \$11 million available for the new Bank building.

This amendment also removes Section 14 of the engrossed bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies and adds a section to provide for the Bank of North Dakota to turn back unobligated general fund moneys of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801
Operating expenses	2,805,578	2,805,578		2,805,578
Grants	26,591,280	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>

REPORT OF STANDING COMMITTEE (410)
March 24, 2005 3:31 p.m.

Module No: HR-54-6093
Carrier: Thoreson
Insert LC: 58014.0206 Title: .0300

General fund	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)
Less estimated income	(5,366)	(5,366)
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391
Operating expenses	14,959,013	14,959,013		14,959,013
Contingencies	300,000	300,000		300,000
Agriculture promotion	50,000	250,000	(200,000)	50,000
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	32,657,254	32,857,254	(215,850)	32,641,404
General fund	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REDUCES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$15,850)		(\$15,850)
Operating expenses			
Contingencies			
Agriculture promotion		(\$200,000)	(200,000)
Total all funds	(\$15,850)	(\$200,000)	(\$215,850)
Less estimated income	(15,850)	(200,000)	(215,850)
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the \$200,000 addition made by the Senate to the agriculture promotion line item, resulting in a total of \$50,000 for agriculture promotion.

This amendment also removes Section 16 of the engrossed bill added by the Senate for the transfer of \$250,000 from the Mill and Elevator's agriculture promotion line to the Trade Promotion Authority and adds a section to require the state Mill and Elevator Association to present an annual report to the Budget Section.

SB2014 - Amendment #58014.0210**Majority Report Vote**Date: March 30, 2005

Roll Call Vote #: _____

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2014House Appropriations - Full Committee☐ Check here for Conference Committee

Legislative Council Amendment Number _____

58014.021 0210Action Taken DO PASS AS AMENDED - Majority ReportMotion Made By Rep ThoresonSeconded By Rep Carlisle

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol		X
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson		X
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert		X
Rep. Francis J. Wald		X	Rep. Larry Bellew		X
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleeson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson		X			

Total Yes 16 No 7Absent 0Floor Assignment Rep Thoreson

If the vote is on an amendment, briefly indicate intent:

*Reconsidered + Amended
from 3/22/05*

REPORT OF STANDING COMMITTEE (MAJORITY)

SB 2014, as engrossed: Appropriations (Rep. K. Svedjan, Chairman) A MAJORITY of your committee (Reps. Thoreson, Svedjan, Timm, Martinson, Brusegaard, Rennerfeldt, Aarsvold, Gulleson, Carlisle, Kempenich, Kroeber, Williams, Glassheim, Wieland, Kerzman, Metcalf) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS**.

Page 1, line 8, after "resources" insert "; to repeal section 3 of chapter 491 of the 2003 Session Laws, relating to expiration of the authorization for the state to purchase oil put options; to provide for a report to the legislative council"

Page 3, line 5, replace "\$173,615" with "\$205,071"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:

"Oil and gas division contingency 225,000"

Page 3, line 10, replace "6,198,090" with "6,391,634"

Page 3, line 11, replace "6,363,049" with "6,583,689"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 19, replace "13,551,518" with "12,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 30, replace "2,675,102" with "2,659,252"

Page 4, line 2, replace "468,942" with "446,894"

Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "24,174,611"

Page 4, line 8, replace "22,730,650" with "21,607,556"

Page 4, line 17, replace "6,071,048" with "6,039,592"

Page 4, line 21, replace "27,292,412" with "27,292,412"

Page 4, after line 21, insert:

"Oil and gas division contingency 225,000"

Page 4, line 22, replace "50,516,810" with "50,710,354"

Page 4, line 23, replace "43,654,885" with "43,875,525"

Page 4, line 24, replace "6,840,444" with "6,834,829"

Page 4, line 27, replace "18,176,480" with "18,153,392"

Page 4, line 29, replace "18,722,000" with "11,272,000"

Page 4, line 31, replace "49,524,145" with "42,051,057"

Page 5, line 11, replace "17,348,241" with "17,332,391"

Page 5, line 14, replace "250,000" with "50,000"

Page 5, line 15, replace "32,857,254" with "32,641,404"

Page 5, line 18, replace "4,382,167" with "4,376,801"

Page 5, line 22, replace "33,879,025" with "33,873,659"

Page 5, line 23, replace "12,540,444" with "12,534,829"

Page 5, line 24, replace "162,286,824" with "154,816,645"

Page 5, line 25, replace "174,827,268" with "167,351,474"

Page 8, remove lines 9 through 18

Page 8, replace lines 24 through 26 with:

"SECTION 15. UNOBLIGATED MONEYS IN PARTNERSHIP FOR COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND. Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, must be returned to the general fund and considered general fund turnback.

SECTION 16. CONTINGENT OIL AND GAS DIVISION FUNDING - EMERGENCY COMMISSION APPROVAL. The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 17, after line 6, insert:

"SECTION 30. REPEAL. Section 3 of chapter 491 of the 2003 Session Laws is repealed.

SECTION 31. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO BUDGET SECTION. The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform legislators about the role, mission, and operations of the state mill and elevator association."

Page 17, line 8, replace "15" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>224,125</u>	<u>43,875,525</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
Bank of North Dakota				
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency				
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$168,474,568	\$174,827,268	(\$7,475,794)	\$167,351,474
Less estimated income	<u>155,912,643</u>	<u>162,286,824</u>	<u>(7,470,179)</u>	<u>154,816,645</u>
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829

Senate Bill No. 2014 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,071,048	\$6,046,082	(\$6,490)	\$6,039,592
Operating expenses	1,907,850	1,907,850		1,907,850
Capital assets	45,500	45,500		45,500
Lignite research and development	15,200,000	15,200,000		15,200,000
Grants - Bond payments	27,292,412	27,292,412		27,292,412
Oil and Gas Division contingency			<u>225,000</u>	<u>225,000</u>
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>224,125</u>	<u>43,875,525</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
FTE	51.37	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$6,490)		(\$6,490)
Operating expenses			
Capital assets			
Lignite research and development			
Grants - Bond payments			
Oil and Gas Division contingency		<u>\$225,000</u>	<u>225,000</u>
Total all funds	(\$6,490)	\$225,000	\$218,510

Less estimated income	(875)	<u>225,000</u>	<u>224,125</u>
General fund	(\$5,615)	\$0	(\$5,615)
FTE	0.00	0.00	0.00

¹ This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392
Operating expenses	12,108,200	10,925,665		10,925,665
Capital assets	11,272,000	18,722,000	(7,450,000)	11,272,000
Contingencies	1,700,000	1,700,000		1,700,000
PACE fund	5,700,000	5,700,000		5,700,000
Agriculture PACE fund	1,425,000	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000	950,000		950,000
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
FTE	178.50	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REMOVES ADDITIONAL FUNDING FOR NEW BANK BUILDING ADDED BY SENATE ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses			
Capital assets		(\$7,450,000)	(7,450,000)
Contingencies			
PACE fund			
Agriculture PACE fund			
Beginning farmer revolving loan fund			
Total all funds	(\$23,088)	(\$7,450,000)	(\$7,473,088)
Less estimated income	<u>(23,088)</u>	<u>(7,450,000)</u>	<u>(7,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the additional \$7,450,000 of spending authority added by the Senate to increase the size of the new Bank of North Dakota building, resulting in a total of \$11 million available for the new Bank building.

This amendment also removes Section 14 of the engrossed bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies and adds a section to provide for the Bank of North Dakota to turn back unobligated general fund moneys of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005.

Senate Bill No. 2014 - Housing Finance Agency - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801
Operating expenses	2,805,578	2,805,578		2,805,578
Grants	26,591,280	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)
Less estimated income	<u>(5,366)</u>	<u>(5,366)</u>
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391
Operating expenses	14,959,013	14,959,013		14,959,013
Contingencies	300,000	300,000		300,000
Agriculture promotion	<u>50,000</u>	<u>250,000</u>	<u>(200,000)</u>	<u>50,000</u>
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REDUCES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$15,850)		(\$15,850)
Operating expenses			
Contingencies			
Agriculture promotion		<u>(\$200,000)</u>	<u>(200,000)</u>
Total all funds	(\$15,850)	(\$200,000)	(\$215,850)
Less estimated income	<u>(15,850)</u>	<u>(200,000)</u>	<u>(215,850)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the \$200,000 addition made by the Senate to the agriculture promotion line item, resulting in a total of \$50,000 for agriculture promotion.

REPORT OF STANDING COMMITTEE-DIVIDED (430)
April 1, 2005 9:03 a.m.

Module No: HR-60-6962
Carrier: Thoreson
Insert LC: 58014.0210 Title: .0400

This amendment also removes Section 16 of the engrossed bill added by the Senate for the transfer of \$250,000 from the Mill and Elevator's agriculture promotion line to the Trade Promotion Authority and adds a section to require the state Mill and Elevator Association to present an annual report to the Budget Section and repeals Section 3 of Chapter 491 of the 2003 Session Laws related to expiration of the authorization for the state to purchase oil put options.

SB2014 - Amendment #58014.0211**Minority Report Vote**Date: March 30, 2005Roll Call Vote #: **2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES****BILL/RESOLUTION NO. SB2014**House Appropriations - Full Committee☐ Check here for Conference CommitteeLegislative Council Amendment Number 58014.0211Action Taken Minority ReportMotion Made By Rep Skarphol Seconded By Rep Carlson

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman		X	Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman		X	Rep. David Monson	X	
Rep. Bob Martinson		X	Rep. Eliot Glassheim		X
Rep. Tom Brusegaard		X	Rep. Jeff Delzer	X	
Rep. Earl Rennerfeldt		X	Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold		X	Rep. Alon C. Wieland		X
Rep. Pam Gulleson		X	Rep. James Kerzman		X
Rep. Ron Carlisle		X	Rep. Ralph Metcalf		X
Rep. Keith Kempenich		X			
Rep. Blair Thoreson		X			
Rep. Joe Kroeber		X			
Rep. Clark Williams		X			
Rep. Al Carlson	X				

Total Yes 7 No 16Absent 0Floor Assignment Rep Skarphol

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (MINORITY)

SB 2014, as engrossed: Appropriations (Rep. K. Svedjan, Chairman) A MINORITY of your committee (Reps. Skarphol, Wald, Carlson, Monson, Delzer, Pollert, Bellew) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS**.

Page 1, line 8, after "resources" insert "; to repeal section 3 of chapter 491 of the 2003 Session Laws, relating to expiration of the authorization for the state to purchase oil put options; to provide for a report to the legislative council"

Page 3, line 5, replace "\$173,615" with "\$205,071"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:

"Oil and gas division contingency

225,000"

Page 3, line 10, replace "6,198,090" with "6,391,634"

Page 3, line 11, replace "6,363,049" with "6,583,689"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 17, replace "10,447,000" with "(553,000)"

Page 3, line 19, replace "13,551,518" with "1,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 30, replace "2,675,102" with "2,659,252"

Page 4, line 2, replace "468,942" with "446,894"

Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "13,174,611"

Page 4, line 8, replace "22,730,650" with "10,607,556"

Page 4, line 17, replace "6,071,048" with "6,039,592"

Page 4, line 21, replace "27,292,412" with "27,292,412"

Page 4, after line 21, insert:

"Oil and gas division contingency

225,000"

Page 4, line 22, replace "50,516,810" with "50,710,354"

Page 4, line 23, replace "43,654,885" with "43,875,525"

Page 4, line 24, replace "6,840,444" with "6,834,829"

Page 4, line 27, replace "18,176,480" with "18,153,392"

Page 4, line 29, replace "18,722,000" with "272,000"

Page 4, line 31, replace "49,524,145" with "31,051,057"

Page 5, line 11, replace "17,348,241" with "17,332,391"

Page 5, line 14, replace "250,000" with "50,000"

Page 5, line 15, replace "32,857,254" with "32,641,404"

Page 5, line 18, replace "4,382,167" with "4,376,801"

Page 5, line 22, replace "33,879,025" with "33,873,659"

Page 5, line 23, replace "12,540,444" with "12,534,829"

Page 5, line 24, replace "162,286,824" with "143,816,645"

Page 5, line 25, replace "174,827,268" with "156,351,474"

Page 8, remove lines 9 through 18

Page 8, replace lines 24 through 26 with:

"SECTION 15. UNOBLIGATED MONEYS IN PARTNERSHIP FOR COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND. Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, shall be returned to the general fund and considered general fund turnback.

SECTION 16. CONTINGENT OIL AND GAS DIVISION FUNDING - EMERGENCY COMMISSION APPROVAL. The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 17, after line 6, insert:

"SECTION 30. REPEAL. Section 3 of chapter 491 of the 2003 Session Laws is repealed.

SECTION 31. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO BUDGET SECTION. The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform legislators about the role, mission, and operations of the state mill and elevator association."

Page 17, line 8, replace "15" with "14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Industrial Commission				
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
Bank of North Dakota				
Total all funds	\$51,404,797	\$57,599,145	(\$18,473,088)	\$39,126,057
Less estimated income	45,704,797	51,899,145	(18,473,088)	33,426,057
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
Housing Finance Agency				
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	33,895,707	33,879,025	(5,366)	33,873,659
General fund	\$0	\$0	\$0	\$0
Mill and Elevator				
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	32,657,254	32,857,254	(215,850)	32,641,404
General fund	\$0	\$0	\$0	\$0
Bill Total				
Total all funds	\$168,474,568	\$174,827,268	(\$18,475,794)	\$156,351,474
Less estimated income	155,912,643	162,286,824	(18,470,179)	143,816,645
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829

Senate Bill No. 2014 - Industrial Commission - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$6,071,048	\$6,046,082	(\$6,490)	\$6,039,592
Operating expenses	1,907,850	1,907,850		1,907,850
Capital assets	45,500	45,500		45,500
Lignite research and development	15,200,000	15,200,000		15,200,000
Grants - Bond payments	27,292,412	27,292,412		27,292,412
Oil and Gas Division contingency			225,000	225,000
Total all funds	\$50,516,810	\$50,491,844	\$218,510	\$50,710,354
Less estimated income	43,654,885	43,651,400	224,125	43,875,525
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829
FTE	51.37	51.37	0.00	51.37

Dept. 405 - Industrial Commission - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION 1	TOTAL HOUSE CHANGES
Salaries and wages	(\$6,490)		(\$6,490)
Operating expenses			
Capital assets			
Lignite research and development			
Grants - Bond payments			
Oil and Gas Division			

REPORT OF STANDING COMMITTEE-DIVIDED (430)
April 1, 2005 9:07 a.m.

Module No: HR-60-6965
Carrier: Skarphol
Insert LC: 58014.0211 Title: .0500

contingency		<u>\$225,000</u>	<u>225,000</u>
Total all funds	(\$6,490)	\$225,000	\$218,510
Less estimated income	(875)	<u>225,000</u>	<u>224,125</u>
General fund	(\$5,615)	\$0	(\$5,615)
FTE	0.00	0.00	0.00

¹ This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval.

Senate Bill No. 2014 - Bank of North Dakota - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392
Operating expenses	12,108,200	10,925,665		10,925,665
Capital assets	11,272,000	18,722,000	(18,450,000)	272,000
Contingencies	1,700,000	1,700,000		1,700,000
PACE fund	5,700,000	5,700,000		5,700,000
Agriculture PACE fund	1,425,000	1,425,000		1,425,000
Beginning farmer revolving loan fund	950,000	950,000		950,000
Total all funds	\$51,404,797	\$57,599,145	(\$18,473,088)	\$39,126,057
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(18,473,088)</u>	<u>33,426,057</u>
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000
FTE	178.50	178.50	0.00	178.50

Dept. 471 - Bank of North Dakota - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REMOVES FUNDING FOR A NEW BANK BUILDING ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses			
Capital assets		(\$18,450,000)	(18,450,000)
Contingencies			
PACE fund			
Agriculture PACE fund			
Beginning farmer revolving loan fund			
Total all funds	(\$23,088)	(\$18,450,000)	(\$18,473,088)
Less estimated income	<u>(23,088)</u>	<u>(18,450,000)</u>	<u>(18,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the spending authority for a new Bank of North Dakota building.

This amendment also removes Section 14 of the bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies and adds a section to provide for the Bank of North Dakota to turn back unobligated general fund money of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005.

Senate Bill No. 2014 - Housing Finance Agency - House Action

REPORT OF STANDING COMMITTEE-DIVIDED (430)

April 1, 2005 9:07 a.m.

Module No: HR-60-6965

Carrier: Skarphol

Insert LC: 58014.0211 Title: .0500

	BUDGET	VERSION	CHANGES	VERSION
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801
Operating expenses	2,805,578	2,805,578		2,805,578
Grants	26,591,280	26,591,280		26,591,280
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>
General fund	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00

Dept. 473 - Housing Finance Agency - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)
Less estimated income	<u>(5,366)</u>	<u>(5,366)</u>
General fund	\$0	\$0
FTE	0.00	0.00

Senate Bill No. 2014 - Mill and Elevator - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391
Operating expenses	14,959,013	14,959,013		14,959,013
Contingencies	300,000	300,000		300,000
Agriculture promotion	<u>50,000</u>	<u>250,000</u>	<u>(200,000)</u>	<u>50,000</u>
Total all funds	\$32,657,254	\$32,857,254	(\$215,850)	\$32,641,404
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(215,850)</u>	<u>32,641,404</u>
General fund	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00

Dept. 475 - Mill and Elevator - Detail of House Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	REDUCES FUNDING FOR AGRICULTURE PROMOTION ¹	TOTAL HOUSE CHANGES
Salaries and wages	(\$15,850)		(\$15,850)
Operating expenses			
Contingencies			
Agriculture promotion		<u>(\$200,000)</u>	<u>(200,000)</u>
Total all funds	(\$15,850)	(\$200,000)	(\$215,850)
Less estimated income	<u>(15,850)</u>	<u>(200,000)</u>	<u>(215,850)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment removes the \$200,000 addition made by the Senate to the agriculture promotion line item, resulting in a total of \$50,000 for agriculture promotion.

REPORT OF STANDING COMMITTEE-DIVIDED (430)

April 1, 2005 9:07 a.m.

Module No: HR-60-6965

Carrier: Skarphol

Insert LC: 58014.0211 Title: .0500

This amendment also removes Section 16 of the bill added by the Senate for the transfer of \$250,000 from the Mill and Elevator's agriculture promotion line to the Trade Promotion Authority.

Senate Bill No. 2014 - Other Changes - House Action

This amendment also repeals Section 3 of Chapter 491 of the 2003 Session Laws relating to the expiration of the authorization for the state to purchase oil put options.

The reports of the majority and the minority were placed on the Seventh order of business on the calendar for the succeeding legislative day.

2005 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2014

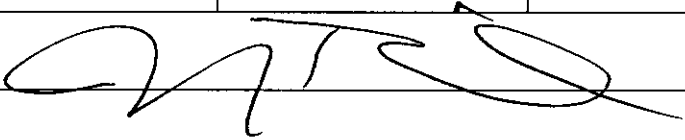
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014 -- Industrial Commission

Senate Appropriations Committee

☐ Conference Committee

Hearing Date **04/06/05**

Tape Number	Side A	Side B	Meter #
2	x		655-3106
Committee Clerk Signature 			

Minutes:

Sen. Schobinger, (Chair for conference committee) called meeting to order. Roll was taken, all members were present.

Sen. Schobinger asked the House members to go over the changes that they had made.

Rep. Thorsen indicated to the committee that three significant changes were made. The first change that was made dealt with recommended funding change for health insurance, the second change that took place was the addition of a contingency line item for the oil and gas division. This would add \$225,000 from the land and mineral trust fund, it would be used to hire up to two FTE's for fuel and gas inspection. This was added because of the increase in oil production. It would however have to be approved by the emergency commission. The third change that was made dealt with the Bank of ND building. Rep. Thorsen stated that the Senate added 7.45 million dollars over what the original request was from the governors budget. The House felt that the recommended figure of just over 11 million dollars was best suited for the bank building.

We did reduce that figure back to the original number. We added a section dealing with the 2.2 million dollar turn back, it allows up to 2.2 million from the pace funds to be turned back. We also removed \$200,000 from the Ag promotion line, this would leave \$50,000 which was in the executive recommendation. This was money, I believe, that came from the mill. There was some talk about doing some work with the commerce budget along that line. We may need to look further into this. We also put in a section that deals with the state mill and elevator association to report to the budget section. There was some idea of setting up a commission consisting of some legislators and others that would precede over the mill and elevator. We thought it would be best for the manager of the mill to report to the budget section to provide an annual report. This I believe has been done in the past, but there was no language authorizing it. The last change that was made dealt with the repealing section 3, of chapter 491 of the '03 session log. Rep. Thorsen stated that this dealt with the State of ND purchasing oil put, there was a sunset clause with it, the House opted to remove the sunset clause.

Sen. Schobinger (1104): Outside of the bank issue, was there any resistance from the agencies affected by the other amendments?

Rep. Thorsen: We are not aware of any.

Rep Carlisle (1142): The oil and gas folks talked to us about the potential of the rig count going over 30, what two FTE's were needed. They are technical people, the FTE's but only if the rig count goes over 30. If the extra oil exploration goes away so do the extra employees.

Sen. Schobinger explained the Senate's Amendments to the bill, starting with the \$200,000 to ND trade office and the increase on the bank for about 7.4 million. Sen. Schobinger stated that he conversed with one of the leaders of the trade office was looking to get 1 million. They were

asking for \$500,000 out of a line item out of somewhere in the mill. We looked at the line item and decided to take \$200,000 appropriated from that line. They did say that they had private donations, that would get them closer to what they were looking at. Did you receive the same testimony?

Rep. Thorsen We did, we still felt however, that the \$500,000 was a better figure. Again there was some though about additional dollars being put into the commerce budget, I am not certain that they accomplished that.

Rep. Carlisle: Between commerce and this we will hear more about it.

Sen. Schobinger stated to the committee that the mill stated that they will have no problem making the transfer. Sen. Schobinger then gave the House members the reasoning behind the 18 million dollars for the Bank of ND. He stated that each biennium we have many requests for capital projects. We can do the Bank of ND without bonding and without using moneys from the General Fund. If we can authorize the spending of 19 million dollars for a parking ramp at UND, we can allow the bank to spend 18 million dollars and have extra space to rent out state offices. Please think about that.

Rep. Carlisle: There was a split in the House. We prevailed at 11 million, we didn't at 18 million.

Rep. Kroeber: We want to get the bank built, however, we are concerned that we will not get the votes at 18 million.

Sen. Schobinger (1845): I understand, but we really need this to happen. If we don't do this, I know we will look back 4 years from now and we will be in the same boat.

Rep. Thorsen: What about expanded footings. In the House half wanted no building at all and half feel that by building a bigger building we will have a large growth in government. I am not sure if 18 million can go on our side.

Rep Carlisle: If we put in language in for heavier footings, it may be easier for us to sell the 18 million.

Sen. Lindaas (2114): I am in favor of building it all at once, we need to figure in inflation.

Sen. Schobinger: Construction costs are going up. In the long run there is a potential of saving the State a lot of money.

Rep. Carlisle: Does the senate have any particular agency in mind, who will rent out the additional space?

Sen. Schobinger: The same language is included as was in Work Force Safety Insurance. It will leave OMB and the executive branch to decide. No agency's have approached us.

Rep. Carlisle (2323): Can we talk to the House about this, the 11 million or 18 million.

Rep. Kroeber: 6 Stories, we need to think about additional parking and the money needed to build extra parking.

Sen. Schobinger: Eric, what is that additional cost and what locations have you looked at.

Eric Hardmyer (2460): We are defiantly interested in staying down town. We have worked with the city and chamber to try to resolve the parking issue. We would like a partnership with the city on the parking issue.

Rep. Carlisle (2609): Regarding the footings, how would you get figures on those costs?

Mr. Hardmeyer: We would look at the cost per square foot. The larger the building the lower the cost. We will have to got back and talk to the contractor.

Rep. Carlisle: If we increase the size of the building what agencies would move in?

Sen. Schobinger: It will have the same language as WSI. Section 14 of the .0200 version of the bill.

Rep. Kroeber: The 18 million, you are talking about additional cost. Would that amount be adequate for additional land?

Mr. Hardmeyer: That is an issue, regarding the parking we have not clearly determined what that would be. But we are looking to partner with the city on that.

Rep. Carlisle: We will talk to the House.

Rep. Thorsen: We need to talk to the House more, we will discuss our meeting with the leadership.

Rep. Carlisle: We will find out about export trade.

Sen. Schobinger adjourned the meeting until a later date.

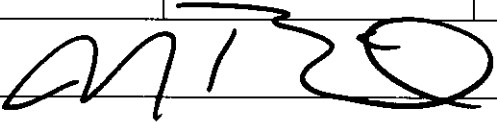
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2014

☒ Senate Appropriations Committee

☐ Conference Committee

Hearing Date **04/07/05**

Tape Number	Side A	Side B	Meter #
3		x	0-1688
Committee Clerk Signature 			

Minutes: **Sen. Schobinger (Conference Committee Chair)** called the meeting to order.

Roll was taken, all members were present.

Sen. Schobinger asked the House members if they came to any conclusion.

Rep. Carlson (61): The House had taken out \$200,000 on trade promotion we'll buy off on your idea. Your analogy of the 19 million for UND parking ramp, using bonding help our decision.

We have the ability to pay for the building cost of the bank. We could add 20,00 sqft or one more floor to the ould building. ITD could go on that floor as a renter.

Sen. Fischer (282): What does it cost us to build an to do the expansion? I think we all agree that we want the building big enough for expansion. Why wouldn't we look at the expansion dollars. You take the lowest rate of return on the investment of the bank and that would be the cost of the bank. The return would be greater then 2%. It makes sense for us to look at it in that vain.

Rep. Carlson (401): If we add...

Sen. Fischer: It would be 12 million if they move and come back it will be more that 18 million because of the mobilization.

Rep. Carlson: Yep, that costs more money, if we don't do it right. I think we could sell another floor to the House.

Rep. Thorsen: I agree with Rep. Carlson.

Rep. Kreober: I think we need a better handle on sites (downtown Bismarck). How many possible site are then?

Sen. Schobinger: That is a good question.

Eric Hardmeyer (667): Parking will be an issue no matter what or where we build. The only think that matters in parking. There are some ramps, but today we have no perfect solution.

Rep. Thorsen: What is the parking like now?

Mr. Hardmeyer: We've got 180 employees, plus we've got customer parking. We also have about 30 employees that use the parking ramp by the Radison Hotel.

Rep. Thorsen: You would need more customer parking, right?

Mr. Hardmeyer: We will only need about the same as we currently have. It depends greatly on who will be renting form us.

Rep. Thorsen: What about a drive through, is that in the plans for a new facility?

Mr. Hardmeyer: No, not really, but we do would like to see a secure area for currency delivery.

Sen. Schobinger: What is Wells Fargo's square footage and how many employees do they have?

Mr. Hardmeyer: It is about ½ of a block about 110,000 sqft with the parking ramp connected to the back end. I am not sure of the number of employees.

Page 3

Senate Appropriations Committee

Bill/Resolution Number **SB 2014**

Hearing Date **04/07/05**

Sen. Lindaas (1116): Rep. Kreober, what is the number of selling the old property?

Rep. Kreober: It is 3.4 million.

Mr. Hardmeyer: That is a recent appraisal.

Sen. Fischer: As is right?

Mr. Hardmeyer: Yes.

Rep. Carlisle: I have an amendment to hand out number 58014.0213

Sen. Schobinger: If there is no decent we will combine all of them at once, if there is decent we will go through them one by one.

Carlene Fine, Executive Director, Industrial Commission explained the .0213 amendment.

Stating that the amendment this a language correction. There needs to be a clarification of the \$100,000 in the grants line item.

Rep. Carlisle: So we are still at a difference over the \$200,000 and the size of the bank, is there anything else.

Sen. Schobinger: No just those two issues.

Sen. Schobinger adjourned meeting.

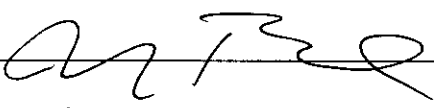
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2014**

Senate Appropriations Committee

☒ Conference Committee

Hearing Date **04/11/05**

Tape Number	Side A	Side B	Meter #
3	x		2400-2485
Committee Clerk Signature 			

Minutes: **Sen. Schobinger (Conference Committee Chair)** opened discussion of SB 2014

Sen. Schobinger stated to the committee that there is new information and that the Senate and the House will have to confer with their leadership. Sen. Schobinger recessed.

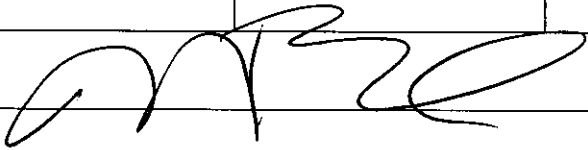
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2014**

Senate Appropriations Committee

☒ Conference Committee

Hearing Date **04/13/05**

Tape Number	Side A	Side B	Meter #
1	x		1000-1252
Committee Clerk Signature 			

Minutes: **Sen. Schobinger (Conference Committee Chair)** opened hearing on SB 2014.

Sen. Schobinger: I think we need to get a feel for any possible amendments or proposals that we are not hung up on. I am okay with the Wald amendment. We still have some questions about the commerce department, regarding the \$500,000 or the \$200,000.

Rep. Thorsen: OK.

Rep. Carlisle: What are we going to do with those amendments I showed you?

Sen. Schobinger: I will hold on to those for a while.

Rep. Thorsen (1198): Over in the house we are where we were the last time we met.

Sen. Schobinger: Okay, we will adjourn then.

Sen. Schobinger adjourned.

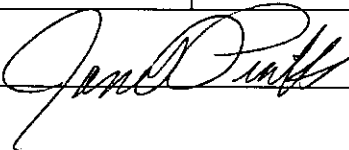
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 15, 2005

Tape Number	Side A	Side B	Meter #
NO TAPE WAS USED VERY BRIEF MEETING			
Committee Clerk Signature 			

Minutes:

Senator Schobinger called the Conference Committee on SB 2014 to order with the roll call.

This was a very brief meeting in the hallway outside the Harvest Room no recorded meeting took place.

Senator Schobinger asked if anyone had any new information.

Representative Thorsen indicated the House was standing firm on their position.

Senator Schobinger closed the hearing.

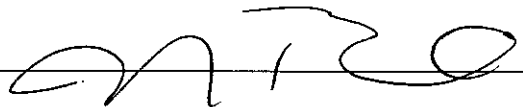
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. **SB 2014**

☒ Senate Appropriations Committee

☐ Conference Committee

Hearing Date **04-18-05**

Tape Number	Side A	Side B	Meter #
4	x		1947-2549
Committee Clerk Signature 			

Minutes: **Sen. Schobinger (Conference Committee Chair)** opened the hearing of SB 2014.

Roll was taken, all members were present.

Sen. Schobinger (1976): The Senate thinks if we are going to do it at all, it should be done right the first time. We will not get this type of opportunity again for 80-100 years. Let's face it, government is growing, and we need the space. We will save a lot of money, due to the fact that it will elevate the need for projects out of the General Fund. Does the House agree or are we still at a stand still?

Rep. Thorsen (2130): The House feels that the issues is space for the bank, not other government agencies. There has been no change since our last meeting.

Rep. Carlisle: I agree with the chairman, but we are going by what the Industrial Commission put together. It is not sellable on the House side.

Rep. Kroeber: Them Democrats can get support wither way. I do not want to lose the opportunity to build the bank.

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Senate Appropriations Committee

Bill/Resolution Number **SB 2014**

Hearing Date **04-18-05**

Sen. Schobinger: My concern is that if the Senate accedes to that part of the bill, in 4 years there will be people wondering why didn't take this opportunity. Is the House even worried about that.

Rep. Thorsen (2439): We are looking solely at what the needs are right now. I believe that the House thinks it will usher in "Big Government." Meaning if we have the space for it, we will find some way to fill it.

Sen. Schobinger adjourned the committee

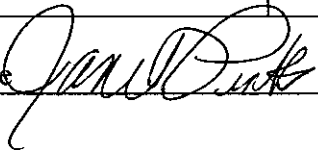
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 20, 2005

Tape Number	Side A	Side B	Meter #
1	a		3,960
Committee Clerk Signature 			

Minutes:

Senator Schobbing called the conference committee to order on SB 2014 with roll call.

Representative Thorson distributed amendment .0216 which was prepared for Representative Berg which deals with bonds on a the Dakota Foundation building in Bismarck.

Mr. Hardmeyer spoke explaining the purpose of the amendment. He indicated there are some outstanding bonds on the foundation building. One tenant is moving out in June and the covenants of the bond as outlined today have strict stipulations for the type of tenants renting in the building. This amendment is an opportunity for the bank to refinance the bonds which would remove the covenants and the Dakota Foundation would be free to lease this to other entities.

The reason for the covenants was not known. This is making a loan to the Dakota Foundation to retire the existing bonds, when the bonds are retired then the covenants associated with the bonds would disappear.

Senator Schobbing asked why this was not brought forward ahead of time.

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Senate Appropriations Committee

Bill/Resolution Number 2014

Hearing Date April 20, 2005

Other questions were asked regarding the Dakota Foundation, why the existing tenants were moving out, and the tax exempt status of the foundation.

Senator Schobbing indicated he would like to have additional questions resolved outside the conference time and so he recessed the conference committee meeting.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2014

Senate Appropriations Committee

☒ Conference Committee

Hearing Date April 20, 2005

Tape Number	Side A	Side B	Meter #
3	a		2934 - 3976
Committee Clerk Signature <i>Janet Pinks</i>			

Minutes:

Senator Schobbing opened the conference committee on SB 2014 with roll call.

Stephanie Johnson was asked to read back information as to what everyone was in agreement on and where there is no problem, which she did.

Senator Schobbing raised a point that there is a match requirement in the match program.

The House indicated they would be fine with that.

Senator Thorson distributed amendments .0218 and asked Stephanie Johnson to explain the amendment.

Stephanie Johnson indicated the amendment states the Industrial Commission shall advertise for bids for a new building and that alternate bids must be submitted to install footings up to three additional floors and the Industrial Commission may proceed with the construction of the additional footings upon approval of the Emergency Commission and the Budget section and it

Page 2

Senate Appropriations Committee

Bill/Resolution Number 2014

Hearing Date April 20, 2005

gives the appropriation authority so any additional funds that may be required in excess of \$11 million may be spent for the footings.

Senator Fischer distributed amendment .0215 which increases special funding spending for the Industrial Commission for \$20,500 to provide for a salary increase for the Industrial Commission Secretary. The Secretary was unanimously thanked by everyone on the committee.

Senator Fischer moved approval of all amendments approved to date, Representative Thorson seconded. A roll call vote was taken resulting in 6 yes votes. The motion carried.

Senator Schobbing adjourned the conference committee on SB 2014.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on page _____ of the Senate Journal and page _____ of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 8, after "resources" insert "; to provide sections of legislative intent"

Page 8, after line 18, insert:

"SECTION 15. LEGISLATIVE INTENT - FIRSTHOME PARK GRANT. It is the intent of the fifty-ninth legislative assembly that the housing finance agency provide a \$100,000 grant from funds appropriated in the grants line item in subdivision 5 of section 3 of this Act to the Dickinson park district for park improvements at the west river community center complex to be named the firsthome park."

Page 17, line 8, replace "15" with "16"

Renumber accordingly

PROPOSED AMENDMENT TO ENGROSSED SENATE BILL NO. 2014

ALTERNATE BIDS TO BE RECEIVED - EMERGENCY COMMISSION APPROVAL.

The Industrial Commission shall receive bids for a new building for the Bank of North Dakota. Alternate bids shall be received which allow footings to be installed for up to three additional floors. Money for the construction of additional floors shall be expended upon approval of the Emergency Commission.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1257-1261 of the Senate Journal and pages 1489-1493 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 5, after the first comma insert "section 54-17-03,"

Page 1, line 7, replace "and transferring" with ", transfer of"

Page 1, line 8, after "resources" insert ", and the secretary of the industrial commission"

Page 3, line 5, replace "\$173,615" with "\$153,115"

Page 3, line 10, replace "6,198,090" with "6,218,590"

Page 3, line 11, replace "6,363,049" with "6,383,549"

Page 4, line 7, replace "25,270,609" with "25,291,109"

Page 4, line 8, replace "22,730,650" with "22,751,150"

Page 4, line 17, replace "6,071,048" with "6,091,548"

Page 4, line 22, replace "50,516,810" with "50,537,310"

Page 4, line 23, replace "43,654,885" with "43,675,385"

Page 5, line 24, replace "162,286,824" with "162,307,324"

Page 5, line 25, replace "174,827,268" with "174,847,768"

Page 6, line 5, replace "\$68,525" with "\$73,650"

Page 6, line 10, replace "\$89,420" with "\$94,545"

Page 6, line 15, replace "\$59,602" with "\$64,727"

Page 6, line 20, replace "\$20,894" with "\$26,019"

Page 16, after line 3, insert:

"SECTION 26. AMENDMENT. Section 54-17-03 of the North Dakota Century Code is amended and reenacted as follows:

54-17-03. Chairman and attorney - Secretary - Employees - Compensation - Bonds. The governor is the chairman of the industrial commission, and its attorney is the attorney general. ~~In the transaction of its general business, the~~ The commission shall appoint a secretary and may employ other subordinate officers, employees, and agents, on such terms as ~~it may deem the commission determines proper and as, in its judgment, the public interests may require.~~ The commission may require suitable bonds of its secretary or other subordinate officers, employees, or agents. ~~# The commission shall fix the amount of the compensation of each person so engaged~~ the commission's secretary, officers, employees, and agents and the secretary's salary may exceed the maximum salary in the grade established for the classification assigned under chapter 54-44.3. The compensation, together with other expenditures for operation and maintenance of the general business of the commission, must remain within the appropriation available in each year for such purpose."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment increases special funds spending authority for the Industrial Commission by \$20,500 and amends a section of code to provide a salary increase to the Industrial Commission's secretary.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1257-1261 of the Senate Journal and pages 1489-1493 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 3, after "transfers" insert "; to create and enact a new subsection to section 6-09-15 of the North Dakota Century Code, relating to powers of the Bank of North Dakota"

Page 8, after line 26, insert:

"SECTION 17. A new subsection to section 6-09-15 of the North Dakota Century Code is created and enacted as follows:

Refinance outstanding bonds for the dacotah foundation building in Bismarck, including remodeling costs for tenant improvements."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2014

That the House recede from its amendments as printed on pages 1257-1261 of the Senate Journal and pages 1489-1493 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 2, after the second "commission" insert "; to provide for approval of alternate bids by the emergency commission and budget section"

Page 6, after line 4, insert:

"SECTION 6. ALTERNATE BIDS - EMERGENCY COMMISSION AND BUDGET SECTION APPROVAL - APPROPRIATION. The industrial commission shall advertise for bids for a new building for the Bank of North Dakota. Alternate bids must be solicited which would allow footings to be installed for up to three additional floors. The industrial commission may proceed with the construction of additional footings upon approval by the emergency commission and budget section. Any additional funds required for the footings in excess of the \$11,000,000 appropriated in subdivision 2 of section 3 of this Act are hereby appropriated to the Bank of North Dakota for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 17, line 8, replace "15" with "16"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides that the Industrial Commission shall solicit alternate bids for the new Bank of North Dakota building which allows for footings to be installed for up to three additional floors and provides an appropriation for the additional costs associated with the footings upon Emergency Commission and Budget Section approval.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

4-6-05
07398

Bill Number) SB 2014 (, as (re)engrossed):

Your Conference Committee

For the Senate: ^{4/19}
Schubert, / / / / Y
Fischer, / / / / Y
Lubas, / / / / Y

For the House: ^{4/19}
Thorsen, / / / / Y
Carlisle, / / / / Y
Kraeber, / / / / Y
Crayber

☐ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/H726 S723/H725
the (Senate/House) amendments on (SJ/HJ) page(s) _____ - _____

☐ and place _____ on the Seventh order.
727

☐ , adopt (further) amendments as follows, and place
_____ on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: ____/____/____

CARRIER: _____

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2014, as engrossed: Your conference committee (Sens. Schobinger, Fischer, Lindaas and Reps. Thoreson, Carlson, Kroeber) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1257-1261, adopt amendments as follows, and place SB 2014 on the Seventh order:

That the House recede from its amendments as printed on pages 1257-1261 of the Senate Journal and pages 1489-1493 of the House Journal and that Engrossed Senate Bill No. 2014 be amended as follows:

Page 1, line 2, after the second "commission" insert "; to provide for approval of alternate bids by the emergency commission and budget section"

Page 1, line 5, after the first comma insert "section 54-17-03,"

Page 1, line 7, replace "and transferring" with ", transfer of"

Page 1, line 8, after "resources" insert ", and the secretary of the industrial commission; to repeal section 3 of chapter 491 of the 2003 Session Laws, relating to the expiration of the authorization for the state to purchase oil put options; to provide for a report to the legislative council; to provide a section of legislative intent"

Page 3, line 5, replace "\$173,615" with "\$184,571"

Page 3, line 9, replace "7,461,422" with "7,461,422"

Page 3, after line 9, insert:
"Oil and gas division contingency 225,000"

Page 3, line 10, replace "6,198,090" with "6,412,134"

Page 3, line 11, replace "6,363,049" with "6,604,189"

Page 3, line 12, replace "\$164,959" with "\$192,055"

Page 3, line 15, replace "1,721,983" with "1,625,778"

Page 3, remove line 16

Page 3, line 19, replace "13,551,518" with "12,272,778"

Page 3, line 27, replace "657,285" with "641,435"

Page 3, line 29, replace "50,000" with "50,000"

Page 3, after line 29, insert:
"Agriculture promotion 200,000"

Page 3, line 30, replace "2,675,102" with "2,859,252"

Page 4, line 2, replace "468,942" with "446,894"

Page 4, line 5, replace "305,940" with "283,892"

Page 4, line 6, replace "\$2,539,959" with "\$2,567,055"

Page 4, line 7, replace "25,270,609" with "24,395,111"

Page 4, line 8, replace "22,730,650" with "21,828,056"

Page 4, line 17, replace "6,071,048" with "6,060,092"

Page 4, line 21, replace "27,292,412" with "27,292,412"

Page 4, after line 21, insert:

"Oil and gas division contingency

225,000"

Page 4, line 22, replace "50,516,810" with "50,730,854"

Page 4, line 23, replace "43,654,885" with "43,896,025"

Page 4, line 24, replace "6,840,444" with "6,834,829"

Page 4, line 27, replace "18,176,480" with "18,153,392"

Page 4, line 29, replace "18,722,000" with "11,272,000"

Page 4, line 31, replace "49,524,145" with "42,051,057"

Page 5, line 11, replace "17,348,241" with "17,332,391"

Page 5, line 15, replace "32,857,254" with "32,841,404"

Page 5, line 18, replace "4,382,167" with "4,376,801"

Page 5, line 22, replace "33,879,025" with "33,873,659"

Page 5, line 23, replace "12,540,444" with "12,534,829"

Page 5, line 24, replace "162,286,824" with "155,037,145"

Page 5, line 25, replace "174,827,268" with "167,571,974"

Page 6, after line 4, insert:

"SECTION 6. ALTERNATE BIDS - EMERGENCY COMMISSION AND BUDGET SECTION APPROVAL - APPROPRIATION. The industrial commission shall advertise for bids for a new building for the Bank of North Dakota. Alternate bids must be solicited which would allow footings to be installed for up to three additional floors. The industrial commission may proceed with the construction of additional footings upon approval by the emergency commission and budget section. Any additional funds required for the footings in excess of the \$11,000,000 appropriated in subdivision 2 of section 3 of this Act are hereby appropriated to the Bank of North Dakota for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 6, line 5, replace "\$68,525" with "\$73,650"

Page 6, line 10, replace "\$89,420" with "\$94,545"

Page 6, line 15, replace "\$59,602" with "\$64,727"

Page 6, line 20, replace "\$20,894" with "\$26,019"

Page 8, replace lines 9 through 18 with:

"SECTION 15. LEGISLATIVE INTENT - FIRSTHOME PARK GRANT. It is the intent of the fifty-ninth legislative assembly that the housing finance agency provide a \$100,000 grant from funds appropriated in the grants line item in subdivision 5 of section 3 of this Act to the Dickinson park district for park improvements at the west river community center complex to be named the firsthome park."

Page 8, after line 23, insert:

"SECTION 17. UNOBLIGATED MONEYS IN PARTNERSHIP FOR COMMUNITY EXPANSION FUND - TRANSFER TO THE GENERAL FUND. Notwithstanding section 6-09.14-02, any unobligated moneys, up to \$2,200,000, in the partnership in assisting community expansion fund as of June 30, 2005, must be returned to the general fund and considered general fund turnback.

SECTION 18. CONTINGENT OIL AND GAS DIVISION FUNDING - EMERGENCY COMMISSION APPROVAL. The funds appropriated in the oil and gas division contingency line item in subdivision 1 of section 3 of this Act are from the land and minerals trust fund. If funds are required due to the average drilling rig count exceeding thirty active rigs for each month in any consecutive three-month period, the oil and gas division may spend moneys from this line item upon emergency commission approval. The oil and gas division may hire up to two full-time equivalent positions with the contingency funds."

Page 8, line 24, replace **"TRADE PROMOTION AUTHORITY"** with **"INTERNATIONAL BUSINESS AND TRADE OFFICE"**

Page 8, line 25, replace "\$250,000" with "\$200,000"

Page 8, line 26, replace "trade promotion authority" with "international business and trade office upon proof of the international business and trade office securing \$1 of matching funds from other public or private sources for every \$2 from the mill and elevator association"

Page 16, after line 3, insert:

"SECTION 29. AMENDMENT. Section 54-17-03 of the North Dakota Century Code is amended and reenacted as follows:

54-17-03. Chairman and attorney - Secretary - Employees - Compensation - Bonds. The governor is the chairman of the industrial commission, and its attorney is the attorney general.~~In the transaction of its general business, the~~ The commission shall appoint a secretary and may employ other subordinate officers, employees, and agents, on such terms as ~~it may deem~~ the commission determines proper and as, in its judgment, the public interests may require. The commission may require suitable bonds of its secretary or other subordinate officers, employees, or agents. ~~# The~~ The commission shall fix the amount of the compensation of each person so engaged the commission's secretary, officers, employees, and agents and the secretary's salary may exceed the maximum salary in the grade established for the classification assigned under chapter 54-44.3. The compensation, together with other expenditures for operation and maintenance of the general business of the commission, must remain within the appropriation available in each year for such purpose."

Page 17, after line 6, insert:

"SECTION 34. REPEAL. Section 3 of chapter 491 of the 2003 Session Laws is repealed.

SECTION 35. STATE MILL AND ELEVATOR ASSOCIATION - REPORT TO BUDGET SECTION. The manager of the state mill and elevator association shall present an annual report to the budget section of the legislative council. The report must include the current role and mission of the state mill and elevator association and short-term and long-term plans for acquisitions, construction, renovation, equipment upgrading, sales and marketing, personnel, and all financial matters. The report also must include a description of efforts by the state mill and elevator association to inform legislators about the role, mission, and operations of the state mill and elevator association."

Page 17, line 8, replace "15" with "16"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Summary of Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Industrial Commission						
Total all funds	\$50,516,810	\$50,491,844	\$239,010	\$50,730,854	\$50,710,354	\$20,500
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>244,625</u>	<u>43,896,025</u>	<u>43,875,525</u>	<u>20,500</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829	\$6,834,829	\$0
Bank of North Dakota						
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057	\$50,126,057	\$0
Less estimated income	<u>45,704,797</u>	<u>51,899,145</u>	<u>(7,473,088)</u>	<u>44,426,057</u>	<u>44,426,057</u>	
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000	\$5,700,000	\$0
Housing Finance Agency						
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659	\$33,873,659	\$0
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>	<u>33,873,659</u>	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Mill and Elevator						
Total all funds	\$32,657,254	\$32,857,254	(\$15,850)	\$32,841,404	\$32,641,404	\$200,000
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(15,850)</u>	<u>32,841,404</u>	<u>32,641,404</u>	<u>200,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Bill Total						
Total all funds	\$168,474,568	\$174,827,268	(\$7,255,294)	\$167,571,974	\$167,351,474	\$220,500
Less estimated income	<u>155,912,643</u>	<u>162,286,824</u>	<u>(7,249,679)</u>	<u>155,037,145</u>	<u>154,816,645</u>	<u>220,500</u>
General fund	\$12,561,925	\$12,540,444	(\$5,615)	\$12,534,829	\$12,534,829	\$0

Senate Bill No. 2014 - Industrial Commission - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$6,071,048	\$6,046,082	\$14,010	\$6,060,092	\$6,039,592	\$20,500
Operating expenses	1,907,850	1,907,850		1,907,850	1,907,850	
Capital assets	45,500	45,500		45,500	45,500	
Lignite research and development	15,200,000	15,200,000		15,200,000	15,200,000	
Grants - Bond payments	27,292,412	27,292,412		27,292,412	27,292,412	
Oil and Gas Division contingency			225,000	225,000	225,000	
Total all funds	\$50,516,810	\$50,491,844	\$239,010	\$50,730,854	\$50,710,354	\$20,500
Less estimated income	<u>43,654,885</u>	<u>43,651,400</u>	<u>244,625</u>	<u>43,896,025</u>	<u>43,875,525</u>	<u>20,500</u>
General fund	\$6,861,925	\$6,840,444	(\$5,615)	\$6,834,829	\$6,834,829	\$0
FTE	51.37	51.37	2.00	53.37	51.37	2.00

Dept. 405 - Industrial Commission - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	INCREASES FUNDING FOR INDUSTRIAL COMMISSION SECRETARY SALARY 2	ADDS CONTINGENCY FUNDING FOR OIL AND GAS DIVISION 3	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$6,490)	\$20,500		\$14,010
Operating expenses				
Capital assets				
Lignite research and development				
Grants - Bond payments				
Oil and Gas Division contingency			\$225,000	225,000
Total all funds	(\$6,490)	\$20,500	\$225,000	\$239,010
Less estimated income	(875)	20,500	225,000	244,625
General fund	(\$5,615)	\$0	\$0	(\$5,615)
FTE	0.00	0.00	2.00	2.00

1 This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month, the same as the House version.

2 This amendment increases special funds spending authority for the Industrial Commission by \$20,500 and amends a section of the North Dakota Century Code to fund a salary increase to the Industrial Commission's secretary.

3 This amendment adds contingency funding of \$225,000 from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 full-time equivalent positions (1 field inspector and 1 plugging and reclamation supervisor) if the average drilling rig count exceeds 30 active rigs for each month in any consecutive three-month period, upon Emergency Commission approval. This is the same as the House version.

Senate Bill No. 2014 - Bank of North Dakota - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$18,249,597	\$18,176,480	(\$23,088)	\$18,153,392	\$18,153,392	
Operating expenses	12,108,200	10,925,665		10,925,665	10,925,665	
Capital assets	11,272,000	18,722,000	(7,450,000)	11,272,000	11,272,000	
Contingencies	1,700,000	1,700,000		1,700,000	1,700,000	
PACE fund	5,700,000	5,700,000		5,700,000	5,700,000	
Agriculture PACE fund	1,425,000	1,425,000		1,425,000	1,425,000	
Beginning farmer revolving loan fund	950,000	950,000		950,000	950,000	
Total all funds	\$51,404,797	\$57,599,145	(\$7,473,088)	\$50,126,057	\$50,126,057	\$0
Less estimated income	45,704,797	51,899,145	(7,473,088)	44,426,057	44,426,057	
General fund	\$5,700,000	\$5,700,000	\$0	\$5,700,000	\$5,700,000	\$0
FTE	178.50	178.50	0.00	178.50	178.50	0.00

Dept. 471 - Bank of North Dakota - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	REMOVES ADDITIONAL FUNDING FOR NEW BANK BUILDING ADDED BY SENATE 2	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$23,088)		(\$23,088)
Operating expenses			
Capital assets		(\$7,450,000)	(7,450,000)
Contingencies			
PACE fund			

Agriculture PACE fund
Beginning farmer revolving
loan fund

Total all funds	(\$23,088)	(\$7,450,000)	(\$7,473,088)
Less estimated income	<u>(23,088)</u>	<u>(7,450,000)</u>	<u>(7,473,088)</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month, the same as the House version.

² This amendment removes the additional \$7,450,000 of spending authority added by the Senate to increase the size of the new Bank of North Dakota building, resulting in a total of \$11 million available for the new Bank building, the same as the House version. This amendment also adds a section that provides that the Industrial Commission shall solicit alternate bids for the new Bank of North Dakota building which allows for footings to be installed for up to three additional floors and provides an appropriation for the additional costs associated with the footings upon Emergency Commission and Budget Section approval and removes Section 14 of the bill added by the Senate providing legislative intent for the Bank of North Dakota to lease space in its new building to other state agencies.

This amendment also adds a section to provide for the Bank of North Dakota to turn back unobligated general fund moneys of up to \$2.2 million in the partnership in assisting community expansion fund to the general fund as of June 30, 2005, the same as the House version.

Senate Bill No. 2014 - Housing Finance Agency - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$4,398,849	\$4,382,167	(\$5,366)	\$4,376,801	\$4,376,801	
Operating expenses	2,805,578	2,805,578		2,805,578	2,805,578	
Grants	26,591,280	26,591,280		26,591,280	26,591,280	
HFA contingencies	<u>100,000</u>	<u>100,000</u>		<u>100,000</u>	<u>100,000</u>	
Total all funds	\$33,895,707	\$33,879,025	(\$5,366)	\$33,873,659	\$33,873,659	\$0
Less estimated income	<u>33,895,707</u>	<u>33,879,025</u>	<u>(5,366)</u>	<u>33,873,659</u>	<u>33,873,659</u>	
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	43.00	43.00	0.00	43.00	43.00	0.00

Dept. 473 - Housing Finance Agency - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$5,366)	(\$5,366)
Operating expenses		
Grants		
HFA contingencies		
Total all funds	(\$5,366)	(\$5,366)
Less estimated income	<u>(5,366)</u>	<u>(5,366)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month, the same as the House version.

This amendment also adds a section of legislative intent to allow the Housing Finance Agency to provide a \$100,000 grant to the Dickinson Park District for park improvements at the West River Community Center complex.

Senate Bill No. 2014 - Mill and Elevator - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$17,348,241	\$17,348,241	(\$15,850)	\$17,332,391	\$17,332,391	
Operating expenses	14,959,013	14,959,013		14,959,013	14,959,013	
Contingencies	300,000	300,000		300,000	300,000	
Agriculture promotion	<u>50,000</u>	<u>250,000</u>		<u>250,000</u>	<u>50,000</u>	<u>\$200,000</u>
Total all funds	\$32,657,254	\$32,857,254	(\$15,850)	\$32,841,404	\$32,641,404	\$200,000
Less estimated income	<u>32,657,254</u>	<u>32,857,254</u>	<u>(15,850)</u>	<u>32,841,404</u>	<u>32,641,404</u>	<u>200,000</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	127.00	127.00	0.00	127.00	127.00	0.00

Dept. 475 - Mill and Elevator - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE ¹	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$15,850)	(\$15,850)
Operating expenses		
Contingencies		
Agriculture promotion		
Total all funds	(\$15,850)	(\$15,850)
Less estimated income	<u>(15,850)</u>	<u>(15,850)</u>
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment reduces funding for state employee health insurance premiums from \$559.15 to \$553.95 per month, the same as the House version.

This amendment also:

- Provides for a transfer of \$200,000 from the Mill and Elevator's agriculture promotion line to the International Business and Trade Office. The Senate had provided for a \$250,000 transfer, which the House had removed.
- Adds a section to require the Mill and Elevator Association to present an annual report to the Budget Section, the same as the House version.

Senate Bill No. 2014 - Other Changes - Conference Committee Action

This amendment also repeals Section 3 of Chapter 491 of the 2003 Session Laws related to expiration of the authorization for the state to purchase oil put options, the same as the House version.

Engrossed SB 2014 was placed on the Seventh order of business on the calendar.

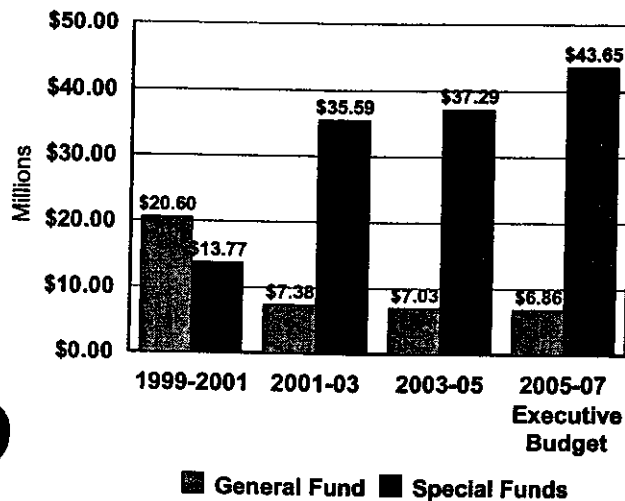
2005 TESTIMONY

SB 2014

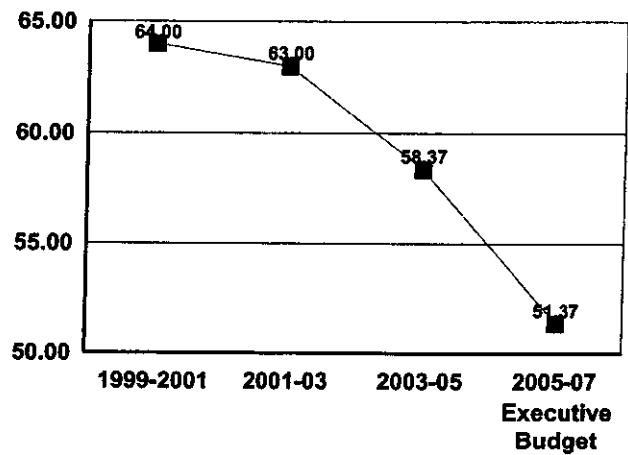
Department 405 - Industrial Commission
Senate Bill No. 2014

	FTE Positions	General Fund	Other Funds	Total
2005-07 Executive Budget	51.37	\$6,861,925	\$43,654,885	\$50,516,810
2003-05 Legislative Appropriations	58.37	7,026,884	37,291,836	44,318,720
Increase (Decrease)	(7.00)	(\$164,959)	\$6,363,049	\$6,198,090

Agency Funding



FTE Positions



Executive Budget Highlights

- Removes funding for the following 7.00 FTE positions - 5.00 FTE positions removed as a result of the Oil and Gas Division and Geological Survey merger and 2.00 geologic mapping technician positions removed as a result of the completion of the soil digitizing mapping program:

Oil and Gas Division

- .70 FTE administrative officer I
- 1.00 FTE office assistant II

Geological Survey

- 1.00 FTE geologic map technician II
- .30 FTE administrative officer I
- 1.00 FTE appointed - Not classified
- 1.00 FTE geologist III
- 1.00 FTE geologic map technician II
- 1.00 FTE geologic map technician II

Total FTE funding removed

General Fund	Other Funds	Total
		\$0
(\$50,359)		(\$50,359)
(\$39,166)		(\$39,166)
(\$81,451)		(\$81,451)
(\$21,582)		(\$21,582)
(\$186,098)		(\$186,098)
(\$141,278)		(\$141,278)
(\$87,878)		(\$87,878)
	(\$71,999)	(\$71,999)
(\$607,812)	(\$71,999)	(\$679,811)

- Provides for the following Industrial Commission administration changes:

- Increases funding for bond payments reflecting the debt service payments required for the projects authorized by the 2003 Legislative Assembly
- Reduces funding for lignite research and development program

\$7,461,422	\$7,461,422
(\$1,070,000)	(\$1,070,000)

3. Provides funding for capital assets—\$22,000 for a forklift (Geological Survey) and \$23,500 for a 42-inch graphic printer and wide-bed plotter for printing maps (Geological Survey \$8,500; Oil and Gas Division \$15,000)

\$45,500

\$45,500

Major Related Legislation

Senate Bill No. 2014 - This bill provides for the merger of the Oil and Gas Division and the Geological Survey into the Department of Mineral Resources and transfers the State Geologist's functions to the director of mineral resources.

Senate Bill No. 2023 - This bill provides an appropriation for capital projects and state facility improvement capital projects of various state departments and institutions and authorizes the Industrial Commission to issue and sell evidences of indebtedness for capital projects.

Senate Bill No. 2074 - This bill changes the name of the Municipal Bond Bank to the Public Finance Authority and authorizes the Public Finance Authority to issue bonds or other evidences of indebtedness on behalf of other state agencies.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

**Testimony for Senate Bill No. 2014
Senate Appropriations Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 7, 2005**

Mr. Chairman and members of the Senate Appropriations Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Senate Bill 2014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the Bank of North Dakota, State Mill, Municipal Bond Bank, Student Loan Trust, Housing Finance Agency, oil and gas and geophysical exploration regulation through its Oil and Gas Division, Geological Survey and the various regulatory functions related to subsurface minerals, the Lignite Research, Development and Marketing Program and the Oil and Gas Research Program. In addition the Industrial Commission is the North Dakota Building Authority.

This morning I will primarily be focusing my testimony on Subdivision 1 of Sections 1, 2 and 3 of Senate Bill 2014 or Budget No. 405. Subdivision 1 includes the appropriations for the administrative office of the Industrial Commission as well as the Oil and Gas Division, Geological Survey, Municipal Bond Bank, Lignite Research, Development and Marketing Program and the lease (bond) payments for projects financed by the North Dakota Building Authority.

The administrative office for the Industrial Commission consists of two full-time employees and the budget includes funding for these two positions along with the needed dollars for operating the office. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This multi-state organization speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry.

The administrative office budget request is \$317,541, when you exclude the Lignite Research Program and the lease payments. This is an increase from the prior biennium of \$16,257. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this noted in Sections 6 through 10 where authority is being requested for these agencies to transfer funds to the Industrial Commission. No General Fund dollars are utilized for the operations of the administrative office.

Section 5 of Senate Bill 2014 includes language that would allow the Industrial Commission to utilize funds that may become available from bonds issued by the Commission under Chapters 4-36

(agricultural revenue bonds) and 54-17.2 (North Dakota Building Authority) and Section 54-17-25 (Student Loan Trust) upon the approval of the Emergency Commission. This authority would allow reimbursement from the bond issues for extra costs incurred in preparation of the financing.

Subdivision 1 of Section 3 includes the lease payments (bond payments) for the North Dakota Building Authority in the amount of \$27,292,412 – see line 21 on page 4. This is an increase from the prior biennium of \$7,461,422. Since 1985, the Industrial Commission has issued several series of bonds as directed by the Legislature. Projects financed have been located at the State Penitentiary, Developmental Center located in Grafton, State Hospital, Youth Correctional Center, International Peace Garden, various buildings on the University System campuses, handicapped accessibility construction on the campuses, Southeast Human Services Center in Fargo, Health Department, James River Correctional Center in Jamestown, Job Service in Bismarck and Grand Forks and the Veterans' Home in Lisbon. During this current biennium, as directed by the Legislature, the Authority bonded for the ConnectND Project.

I have attached for your information the Debt Service Schedules (Exhibits A & B) for all the outstanding bond issues. Exhibit A is for those bond issues that are under the 10% of 1¢ statutory limitation and Exhibit B is the debt service schedule for those bond issues that are not under the statutory limitation.

During the past two years the Commission completed the financing for projects authorized by the 2003 Legislature — Murphy Hall Phase 1 Addition on the Dickinson State University Campus, State Health Department Morgue and Storage Annex, Graichen Gymnasium Elevator and Emergency Exits on the Valley City State University campus, Steamline Replacement Phase II on the Mayville State University campus, James River Correctional Center Phase II, and one energy conservation project at the Missouri River Correctional Center.

Section 13 provides the breakdown on the source of funding for the \$27 million of lease (bond) payments for the upcoming biennium. The following non-General Fund sources will be utilized to pay a portion of these payments:

Missouri River Correctional Center (03B)	\$ 17,100
Job Service North Dakota (02A)	\$ 460,259
Job Service North Dakota (93B/02C)	\$ 236,391
Veterans' Home (9 0C/93A/03A)	\$ 234,891
Human Services (92A/98B) (federal funds)	\$ 80,653
University System (90/93A/03A)	\$ 312,500
University System (03B)	\$ 250,000
University System (01A)	\$ 717,250
Dept. of Health (02A) (federal funds)	\$ 344,673
	<u>\$2,653,717</u>

Thank you for the opportunity to present testimony on the Industrial Commission budget. I will briefly comment at the end of today's hearing on the continuing appropriation information requested by the Legislature.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	2003A										Total Gen. Fund	Other Source	10% of \$0.01 Sales Tax*	Available Debt Ser
	1998B 1991-1986	1998B- 1992	1993A 1990	2002C 1993B	2002D 1995A	1998A	1998C	2000A	2001A	2002A	2003B	Totals		
2003-05	2,359,165	601,635	5,479,013	2,067,370	2,738,140	1,320,063	780,460	735,704	1,546,756	687,938	0	18,326,244	2,478,018	15,848,226
2005-07	2,241,906	571,731	5,475,306	2,008,418	2,620,095	1,314,929	779,071	701,870	2,071,753	990,338	1,900,005	20,675,422	2,653,717	18,021,705
2007-09	2,019,972	56,431	5,970,019	2,395,499	2,888,382	1,312,000	743,035	703,954	2,075,721	991,176	1,995,356	21,151,545	2,410,598	18,740,947
2009-11	1,895,834	0	0	2,394,120	2,991,128	1,320,411	0	741,791	2,115,115	1,001,446	2,064,451	14,524,296	1,831,652	12,692,644
2011-13	0	0	0	2,380,520	2,996,490	1,322,403	0	744,148	2,118,015	1,000,429	2,067,145	12,629,150	1,528,138	11,101,012
2013-15	0	0	0	1,077,650	2,993,925	1,322,634	0	745,659	2,132,153	998,959	2,062,918	11,333,898	956,213	10,377,685
2015-17	0	0	0	0	1,473,923	1,317,319	0	749,763	2,155,288	994,148	2,066,525	8,756,966	826,298	7,930,668
2017-19	0	0	0	0	0	657,214	0	757,782	2,167,538	1,000,049	2,065,750	6,648,333	832,046	5,816,287
2019-21	0	0	0	0	0	0	0	0	1,910,281	1,005,320	2,063,925	4,979,526	835,628	4,143,898
2021-23	0	0	0	0	0	0	0	0	853,160	457,109	1,034,300	2,344,569	380,462	1,964,107
Totals	8,516,877	1,229,797	16,924,338	12,323,577	18,702,083	9,886,973	2,302,566	5,880,671	19,145,780	9,136,912	17,320,375	121,369,949	14,732,770	106,637,179

4.11%

5.02%

5.02%

5.51%

4.24%

5.11%

4.17%

4.01%

3.86%

4.67%

4.67%

Revised 11/16/04

*The March 7, 2003 forecast used for the 2003-2005 biennium and the November, 2004 forecast used for the subsequent biennia with a 4% increase each biennia.

Nov 04 forecast



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

Testimony for Engrossed Senate Bill No. 2014
House Appropriations Committee
Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 1, 2005

Mr. Chairman and members of the Government Operations Division, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. Engrossed Senate Bill 2014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the Bank of North Dakota, State Mill, Municipal Bond Bank, Student Loan Trust, Housing Finance Agency, oil and gas and geophysical exploration regulation through its Oil and Gas Division, Geological Survey and the various regulatory functions related to subsurface minerals, the Lignite Research, Development and Marketing Program and the Oil and Gas Research Program. In addition the Industrial Commission is the North Dakota Building Authority.

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The administrative office for the Industrial Commission consists of two full-time employees and the budget includes funding for these two positions along with the needed dollars for operating the office. The administrative budget also includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission. This multi-state organization speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry.

Prior to the salary adjustment made by the Senate, the administrative office budget request is \$317,541, when you exclude the Lignite Research Program and the lease payments. This is an increase from the prior biennium of \$16,257. The administrative budget is funded by the agencies that report to the Industrial Commission. You will see this funding noted in Sections 6 through 10 where authority is being requested for these agencies to transfer funds to the Industrial Commission. No General Fund dollars are utilized for the operations of the administrative office.

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Karlene K. Fine, Executive Director and Secretary
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During the past two years in addition to the financing for ConnectND, the Commission completed the financing for projects authorized by the 2003 Legislature — Murphy Hall Phase 1 Addition on the Dickinson State University Campus, State Health Department Morgue and Storage Annex, Graichen Gymnasium Elevator and Emergency Exits on the Valley City State University campus, Steamline Replacement Phase II on the Mayville State University campus, James River Correctional Center Phase II, and one energy conservation project at the Missouri River Correctional Center.

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Dept. of Health (02A) (federal funds)	<u>\$ 344,673</u>
	\$2,653,717

Thank you for the opportunity to present testimony on the Industrial Commission budget. I will briefly comment at the end of today's hearing on the continuing appropriation information requested by the Legislature.

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	1998B 1991-1986	1998B- 1992	2003A 1993A 1990	2002C 1993B	2002D 1995A	1998A	1998C	2000A	2001A	2002A	2003B	2005Est.	Totals	Other Source	Total Gen. Fund	10% of \$.01 Sales Tax*	Available Debt Ser
2003-05	2,359,165	601,635	5,479,013	2,067,370	2,738,140	1,320,063	780,460	735,704	1,546,756	697,938	0	0	18,326,244	2,478,018	15,848,226	17,358,880	1,510,654
2005-07	2,241,906	571,731	5,475,306	2,008,418	2,620,095	1,314,929	779,071	701,870	2,071,753	990,338	1,900,005	0	20,675,422	2,653,717	18,021,705	19,482,600	1,460,895
2007-09	2,019,972	56,431	5,970,019	2,395,499	2,888,382	1,312,000	743,035	703,954	2,075,721	991,176	1,995,356	1,436,326	22,587,871	2,443,931	20,143,940	20,261,904	117,964
2009-11	1,895,834	0	0	2,394,120	2,991,128	1,320,411	0	741,791	2,115,115	1,001,446	2,064,451	6,084,509	20,608,805	1,864,985	18,743,820	21,072,380	2,328,560
2011-13	0	0	0	2,380,520	2,996,490	1,322,403	0	744,148	2,118,015	1,000,429	2,067,145	6,081,924	18,711,074	1,561,471	17,149,603	21,915,275	4,765,672
2013-15	0	0	0	1,077,650	2,993,925	1,322,634	0	745,659	2,132,153	998,959	2,062,918	6,085,164	17,419,062	989,546	16,429,516	22,791,886	6,362,370
2015-17	0	0	0	0	1,473,923	1,317,319	0	749,763	2,155,288	994,148	2,066,525	6,080,219	14,837,185	859,631	13,977,554	23,703,562	9,726,008
2017-19	0	0	0	0	0	657,214	0	757,782	2,167,538	1,000,049	2,065,750	6,080,487	12,728,820	865,379	11,863,441	24,651,704	12,788,263
2019-21	0	0	0	0	0	0	0	0	1,910,281	1,005,320	2,063,925	6,086,843	11,066,369	868,951	10,197,408	25,637,772	15,440,364
2021-23	0	0	0	0	0	0	0	0	853,160	457,109	1,034,300	6,085,357	8,429,926	413,795	8,016,131	26,663,283	18,647,152
2023-25	0	0	0	0	0	0	0	0	0	0	0	2,978,183	2,978,183	33,336	2,944,847	27,729,815	24,784,968
Totals	8,516,877	1,229,797	16,924,338	12,323,577	18,702,083	9,886,973	2,302,566	5,880,671	19,145,780	9,136,912	17,320,375	46,999,012	168,368,961	15,032,770	153,336,191		
	4.67%	4.67%	3.86%	4.01%	4.17%	5.11%	4.24%	5.51%	5.02%	5.02%	4.11%	4.53%					

Revised 2/24/05

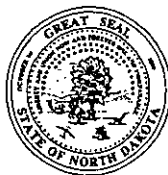
*The March 7, 2003 forecast used for the 2003-2005 biennium and the November, 2004 forecast used for the subsequent biennia with a 4% increase each biennia.

2023crossover

NORTH DAKOTA BUILDING AUTHORITY DEBT SERVICE

Biennium	Energy Conservation	ConnectND 71%		ConnectND 29%	State Portion		State Portion 34%
		ConnectND	NDUS		Other Funds	General Fund	
2003-05	1,367,125	0	0	0	0	0	
2005-07	1,214,828	5,402,163	3,835,535	1,566,627	1,033,974	532,653	
2007-09	1,369,154	5,407,075	3,839,023	1,568,052	1,034,914	533,138	
2009-11	1,377,831	5,405,938	3,838,216	1,567,722	1,034,696	533,025	
2011-13	438,487	5,406,666	3,838,733	1,567,933	1,034,836	533,097	
2013-15	8,982	2,686,144	1,907,162	778,982	514,128	264,854	
Totals	\$5,776,407	\$24,307,986	\$17,258,669	\$7,049,316	\$4,652,548	\$2,396,767	

Revised 01/05/05



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

Testimony
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
Senate Appropriations Committee
Continuing Appropriations Report
January 7, 2005

*Same given
to the House*

Section 34 of Senate Bill 2015 (2003 Session) requires each executive branch agency or institution to report during budget presentations to the Appropriations Committees of the 2005 Legislative Assembly on statutory provisions authorizing the spending of funds pursuant to a continuing appropriation.

Provided behind the last tab in the Industrial Commission Senate Bill 2014 binder is the requested information on the Commission's continuing appropriations in regards to the entities you have heard from today. These continuing appropriations range from funds established to receive donations to continuing appropriations for research programs.

I will go over that list and if there are any specific continuing appropriations you wish to discuss today we will be happy to try and answer your questions.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

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Industrial Commission Continuing Appropriations Report

Abandoned Oil and Gas Well Plugging and Site Reclamation Fund. (NDCC 38-08-04.5)
Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds paid to the North Dakota Industrial Commission Oil and Gas Division. Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities:

1) if the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site;

2) if there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or re-plugging the well or reclaiming the site exceeds the amount of the bond; or

3) the well is leaking or likely to leak oil, gas, or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety.

The Oil and Gas Division has five reclamation projects currently in progress with five abandoned wells and three additional well sites to be scheduled for plugging and reclamation. The reclamation of a well site may take several years depending on the location of the site and the weather conditions.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	134,290	81,626	37,142	37,142	115,642
Revenues	27,556	53,229	72,442	120,100	110,000
Total available	161,846	134,855	109,584	157,242	225,642
Expenditures	80,220	97,713	28,199	41,600	32,000
Ending balance	81,626	37,142	81,385	115,642	193,642

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January 7, 2005

Cash Bond Fund for Plugging Oil and Gas Wells and Reclamation of Oil and Gas Well Sites. (NDCC 38-08-04.11) Monies deposited into this fund are from administrative fees on all moneys held or controlled by the Commission under subdivision d of subsection 1 of section 38-08-04 (the statute allowing a company to provide a cash bond rather than surety bond when operating in North Dakota). Monies in this fund are appropriated to the Commission to be used for:

- 1) defraying costs incurred in the plugging of abandoned oil and gas wells and related activities; and
- 2) defraying costs incurred in the reclamation of abandoned oil and gas drilling and production sites, saltwater evaporation pits, drilling fluid pits, and access roads, and related activities.

The Oil and Gas Division has five reclamation projects currently in progress with five abandoned wells and three additional well sites to be scheduled for plugging and reclamation. The reclamation of a well site may take several years depending on the location of the site and the weather conditions.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	268,153	350,955	309,880	309,880	408,980
Revenues	99,172	77,442	125,819	149,700	53,000
Total available	367,325	428,397	435,699	459,580	461,980
Expenditures	16,370	118,517	27,639	50,600	225,000
Ending balance	350,955	309,880	408,060	408,980	236,980

Cartographic Products Fund. The Cartographic Products Fund was established during the 1989 legislative session (NDCC 54-17.4-10). The fund is used to purchase topographic maps for sale from the federal government. All monies collected from the sale of topographic maps are redeposited in this fund. Map sales are cyclical and this fund requires a revolving fund to function most efficiently.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	16,930	15,769	12,890	12,890	19,031
Revenues	21,941	25,852	9,226	15,198	19,500
Total available	38,871	41,621	22,116	28,088	38,531
Expenditures	23,102	28,731	5,778	9,057	11,350
Ending balance	15,769	12,890	16,338	19,031	27,181

January 7, 2005

Fossil Excavation and Restoration Fund. The Fossil Excavation and Restoration Fund was established during the 1997 legislative session (NDCC 54-17.4-9.1). The fund contains monies donated to the North Dakota Geological Survey to pay for excavation and restoration of fossils. The majority of money currently in the fund was given to the Geological Survey by the late Clarence Johnsrud of Trenton, North Dakota to pay for new fossil exhibits at the North Dakota Heritage Center. Fossil exhibits are costly and also take a considerable amount of time to plan and prepare. The size and scope of the display in question is dependent upon expansion of the Heritage Center. These variables require that money be held for long periods of time.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	9,621	130,918	126,665	126,665	120,965
Revenues	206,587	1,000	300	1,100	0
Total available	216,208	131,918	126,965	127,765	120,965
Expenditures	85,290	5,253	4,045	6,800	10,000
Ending balance	130,918	126,665	122,920	120,965	110,965

Global Positioning System Data Fund. In 1993 the North Dakota Geological Survey, North Dakota Oil and Gas Division, North Dakota Agriculture Department, North Dakota State Water Commission, North Dakota Department of Transportation, United States Geological Survey and Bismarck State College entered into an agreement to establish and maintain a global positioning base station at Bismarck State College. The Global Positioning System (GPS) Data Fund was established by the 1995 Legislative Assembly (NDCC 54-17.4-12). The revolving fund was designed to hold GPS fees and to pay the costs of maintaining the base station. In 2001, all data from the base station was put on line for all users to download for free. The fund is still being used to pay for the costs of maintaining the base station but no new monies are being deposited in the fund. In 2004, ten local engineering and surveying firms contributed towards the purchase of new equipment for the base station.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	17,611	26,751	15,181	15,181	14,725
Revenues	11,522	158	0	0	0
Total available	29,133	26,909	15,181	15,181	14,725
Expenditures	2,382	11,728	309	456	456
Ending balance	26,751	15,181	14,872	14,725	14,269

Lignite Research Fund. (NDCC 57-61-01.5 and 57-61-01.6) The Lignite Research Fund was established to invest in research and the development and marketing for the lignite industry. It is important to have a continuing appropriation for this type of effort in that research efforts can take a number of years. Each of the projects funded with the monies in the Lignite Research Fund must be matched. Many of the projects funded in part by the Lignite Research Fund are multi-year efforts. Lignite Vision 21 projects require a number of years of research and a continuing appropriation is needed to assure the entities involved in these projects of the State's commitment to assist in the development of their projects.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	9,986,025	11,812,939	11,767,657	11,767,657	9,095,000
Revenues	7,025,969	7,048,063	3,866,858	6,203,507	6,105,000
Total available	17,011,994	18,861,002	15,634,515	17,971,164	15,200,000
Expenditures	5,199,055	7,093,345	4,319,476	8,876,164	10,775,000
Ending balance	11,812,939	11,767,657	11,315,039	9,095,000	4,425,000

North Dakota Building Authority. The North Dakota Building Authority has continuing appropriation authority as found in NDCC 54-17.2-02.2. This authority is needed in order to assure rating agencies and bondholders of the State's intent to fully spend all bond proceeds for their intended purposes of construction, implementation, etc. and to apply all lease rental payments it receives from or on behalf of state agencies each biennium to make debt service payments on outstanding bond issues. Each biennium an appropriation is sought from the Legislature for the lease rental payments which are used to make bond debt service payments.

Oil and Gas Reservoir Data Fund. (NDCC 38-08-04.6) Monies deposited in this fund are from the payment of fees for the actual cost of services performed to provide oil and gas reservoir data requested by industry, royalty owners, other governmental agencies and the public. Monies in this fund are appropriated to the Commission to be used for purchase of equipment and supplies directly related to storage and dissemination of computerized geophysical exploration, production, and well information data to industry, royalty owners, other governmental agencies and the public. Requests for oil and gas reservoir data are cyclical with commodity price and a revolving fund is required to most efficiently meet demand.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	8,769	14,946	30,420	30,420	60,320
Revenues	87,615	105,159	105,007	115,500	101,700
Total available	96,384	120,105	135,427	145,920	162,020
Expenditures	81,438	89,685	33,870	85,600	115,000
Ending balance	14,946	30,420	101,557	60,320	47,020

January 7, 2005

Oil and Gas Research Fund. The Oil and Gas Research Fund was established by the 2003 Legislative Assembly to promote the growth of the oil and gas industry through research and education (NDCC 57-51.1). It is important to have a continuing appropriation for this type of effort in that research efforts can take a number of years. Each of the projects funded with the monies in the Oil and Gas Research Fund must be matched. Often it is necessary in obtaining matching dollars from companies as well as universities or the federal government to be able to show that the state can commit to longer than a two-year period of time. Projects that will require drilling programs, analysis of a drilling technique on an oil formation, innovative methods for enhanced recovery or improved reclamation of well sites may need a multi-year research effort to determine the results of the project. Educational efforts can also require more than a two-year period of time to begin to make a difference in the understanding of the oil and gas industry and the benefits it provides to the State of North Dakota.

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 9-30-04	Estimated 2003-05	Estimated 2005-07
Beginning balance	0	0	0	0	3,000
Revenues	0	0	50,800	51,000	1,302,000
Total available	0	0	50,800	51,000	1,305,000
Expenditures	0	0	11,280	48,000	1,205,000
Ending balance	0	0	39,520	3,000	100,000

DESKTOP AND LAPTOP REPLACEMENTS

2005-07 EXECUTIVE RECOMMENDATION

Industrial Commission 405

	Current Number	REPLACEMENTS				Estimated Replacement Cost		Difference
		Number Estimated to be Replaced			Executive Budget	Budgeted Rate	Current Rate	
		Base Request	Optional Request					
Desktops	45							
Office automation PC		0		0		\$780	\$550	\$0
Power PC		2		2		\$880	\$795	170
Custom		25		25		\$1,500		
Laptops	22							
Mainstream PC						\$1,860	\$1,334	\$0
Power PC						\$2,000	\$1,720	0
Custom-require ruggedized laptop with a four year warranty.		18		18		\$3,900		
Total								<u>\$170</u>

Estimated Funding Sources

General

Other funds

Total

Intended Use

\$170

\$170

DESKTOP AND LAPTOP REPLACEMENTS

2005-07 EXECUTIVE RECOMMENDATION

Bank of North Dakota 471

	Current Number	Number Estimated to be Replaced			Estimated Replacement Cost			Difference
		Base Request	Optional Request	Executive Budget	Budgeted Rate	Current Rate ¹		
Desktops	200							
Office automation PC		76			\$780	\$629		\$11,476
Power PC		10			\$880	\$874		60
Custom		16			\$1,500	\$1,500		0
Laptops	20							
Mainstream PC		0			\$1,860	\$1,334		\$0
Power Laptop		6			\$2,000	\$1,933		402
Custom		6			\$3,000	\$3,000		\$0
Total								\$11,938

Estimated Funding Sources

General	
Other funds	\$11,938
Total	\$11,938

¹Current rate is the price used by the agency in developing their budget request.

Intended Use :

The agency is on a 4 year replacement schedule. The Bank would use the difference to cover shortfalls in the area of printer replacement and other IT equipment updates and necessary replacements.

DESKTOP AND LAPTOP REPLACEMENTS 2005-07 EXECUTIVE RECOMMENDATION

Housing Finance #473

	Current Number	Number Estimated to be Replaced			Estimated Replacement Cost		Difference
		Base Request	Optional Request	Executive Budget	Budgeted Rate	Current Rate	
Desktops							
Office automation PC	48				\$780	\$550	\$0
Power PC					\$880	\$795	0
Custom							
Laptops							
Mainstream PC	2				\$1,860	\$1,334	\$0
Power PC					\$2,000	\$1,720	0
Custom							
Total							<u>\$0</u>

Estimated Funding Sources

General
Other funds

Total

Per agency---PC equipment is on 4-year replacement schedule.

Intended Use :

The agency does not have planned replacements of PC's during the 2005-07 budget.

DESKTOP AND LAPTOP REPLACEMENTS
2005-07 EXECUTIVE RECOMMENDATION
MILL & ELEVATOR 475

	Current Number	Number Estimated to be Replaced			Estimated Replacement Cost		Difference
		Base Request	Optional Request	Executive Budget	Budgeted Rate	Current Rate	
Desktops	46						
Office automation PC		10		10	\$780	\$550	\$2,300
Power PC					\$880	\$795	0
Custom							
Laptops	4						
Mainstream PC					\$1,860	\$1,334	\$0
Power PC		1		1	\$2,000	\$1,720	280
Custom							
Total							<u>\$2,580</u>

Estimated Funding Sources

General	\$0
Other funds	\$2,580
Total	<u>\$2,580</u>

Intended Use

Any cost avoidance would be used for additional purchases of computers and add-ons. The mill is working toward a 4 year replacement schedule.



**Legislative Committee Hearing
January 14, 2005
Senate Bill No. 2014 Budget No. 475
North Dakota Mill & Elevator Association**

Mr. Chairman and Senators:

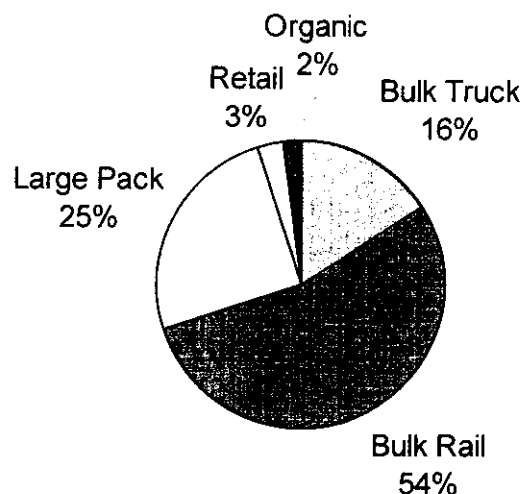
My name is Vance Taylor. I am President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association is the 2nd largest flour mill and the 11th largest milling company in the United States with sales of over \$120 million per year.

The complex presently includes 5 milling units with the capacity to produce 2.7 million lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process up to 65,000 bu. of top quality North Dakota spring and durum wheat per day, adding value to over 19,000,000 bu. per year. All facilities are located in Grand Forks.

The mill operates 24 hours per day, 5 to 7 days per week. Total current staffing is 125 full time employees.

We are primarily a spring-wheat mill, shipping 90% spring wheat products vs. 10% durum products. 70% of all products are shipped in bulk trucks or railcars vs. 30% shipped in bags or totes. Organic spring wheat and durum products now make over 2% of total shipments.



A North Dakota State University study stated that for every dollar in direct economic activity from wheat processing, another \$2.32 was generated in secondary economic activity. For the past two fiscal years, the mill produced \$169,983,000 in direct economic activity resulting in an additional \$394,360,000 in secondary economic activity. This results in a total economic impact to the region of more than \$564,343,000 over the last two fiscal years.

Strategic Plan 2005

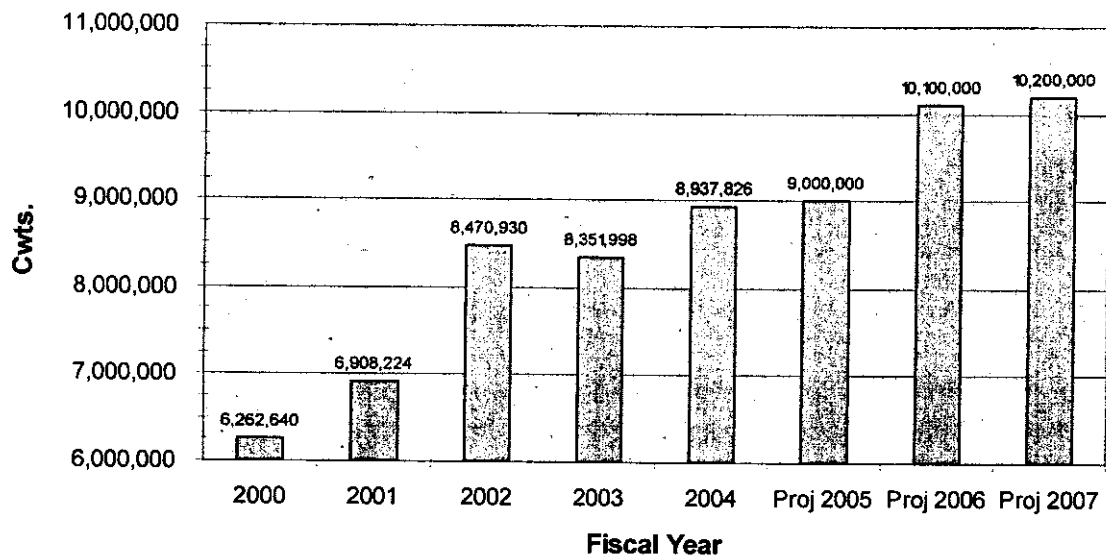
The North Dakota Mill and Elevator has developed the following strategic objectives for fiscal year 2005:

- Promote and support ND agriculture, commerce and industry
- Increase the earnings potential of the North Dakota Mill
- Focus on our customers
- Develop and grow our state mill employees
- Improve technology
- Expand internal and external communications

Business Growth

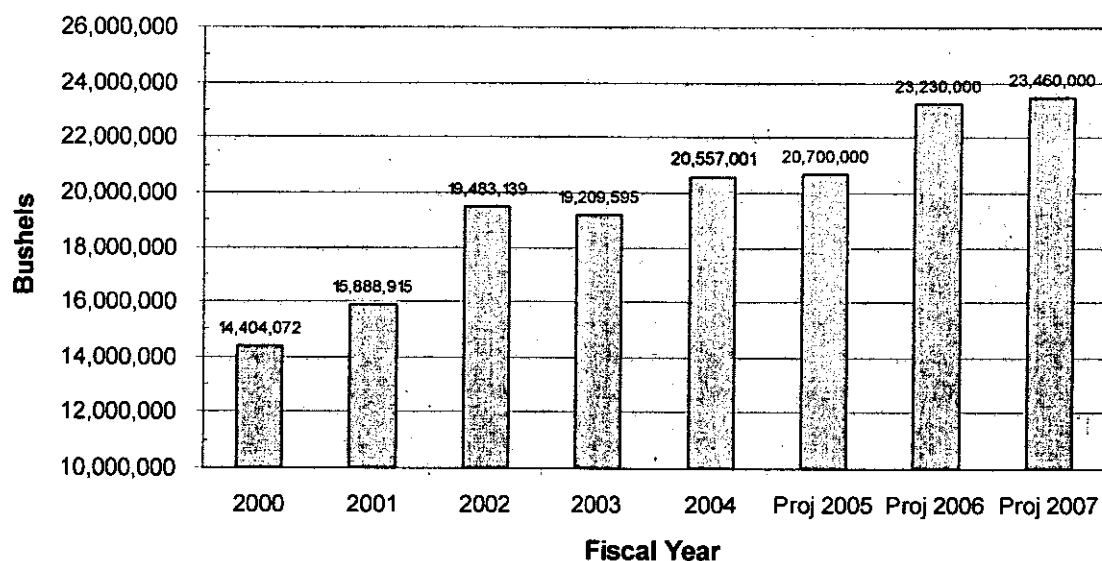
Our Renovation and Expansion Project was completed during fiscal year 2002. This project provided for various upgrades resulting in a production capacity increase of 4000 cwts. per day and an increase in average milling yields at a cost of \$19.5 Million. During fiscal year 2005 two new projects have been approved which will result in an additional increase in capacity of 5000 cwts. per day and will further increase milling yields. The first project replaces our whole-wheat milling unit with a larger, automated mill at a cost of \$1.7 Million. The second project upgrades and expands a spring-wheat milling unit and provides for the completion of a new spring-wheat mill within our existing facility buildings at a cost of \$5.7 Million.

Sales Volume



Benefits of the two new projects include: the milling of an additional 2,760,000 bu. of North Dakota wheat, increased visibility for North Dakota agricultural products via the sale of 1,200,000 additional cwts. of flour, improved mill efficiencies and reduced operating costs per cwt. All of this allows the North Dakota Mill to continue to compete effectively and provide greater returns to the State.

Bushels Ground (Based on 2.3 bu. per cwt.)



Markets and Competition

Our bulk and large package shipping area is diverse but more concentrated in the Ohio River Valley and on the East Coast. We also export product to the Caribbean, Japan and Brazil.

Our customers include bakery flour distributors, retail distributors, large bakeries and pasta companies. Sales are made by our in-house sales staff and food brokers.

We compete with large milling companies such as Horizon Milling, ADM, ConAgra, General Mills and others. The outstanding quality of our products, verified by our ISO 9001 – 2000 certification, allows us to be very competitive against these companies. Our flour is in demand across the country and abroad.

Although margins continue to be under pressure, declining U. S. annual per capita consumption of wheat flour has now leveled off. Low carbohydrate diets appear to be waning and consumption of whole grain products are on the increase. Overcapacity in the industry does exist. The industry expects that some older, out of date mills in poor locations will be considered for plant closings over the next two years.

Our intent is to continue to maximize production volume, increase the percentage of bagged products, continue to aggressively market family flour and retail mixes, grow our organic flour business and investigate new markets, new products and extensions of current product lines.

We will continue to leverage our greatest strength – our employees, whose efforts have given us an excellent reputation for quality and service in the market place.

Budget Request

All operating funds are generated from profits. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for \$32,657,254. This is a \$2,675,102 increase. This increase represents increases in both wages and benefits and other operating expenses.

Wages and benefits increase \$657,285 over the current budget. The mill is in the final year of a two-year contract with the Local Union No. 135 of the American Federation of Grain Millers International. This contract expires June 30, 2005. Contract negotiations will begin this spring on a new contract. The Union represents approximately 65% of the employees at the mill.

Operating expenses excluding wages and benefits increased \$1,967,817. Travel expenses increased \$60,651 over the current budget. Increased fuel costs will drive up the cost of travel. There will also be an increase in the amount of travel in order to sell the additional 1.2 million cwts. of production.

Utilities expense increased \$693,577 over the current budget. In addition to rising energy costs, the two projects underway will increase capacity by 1.2 million cwts. This increased capacity will require a large increase in energy use and drive higher our utility expense.

Repairs expense increased \$718,355 over the current budget. Increases in production volumes and increases in the number of rail cars leased drive this expense higher. In addition, the equipment from the Upgrade and Expansion Project will be over 5 years old and will have higher repair costs.

Miscellaneous supplies expense increased by \$425,450. The major item driving this expense is the cost of fumigations. Currently methyl bromide is used to fumigate the plant. This must be phased out and a new method used. The alternatives to methyl bromide are significantly more expensive.

These five items, wages and benefits, travel, utility expense, repair expense, and miscellaneous supplies expense account for \$2,494,667 or 93% of the increase in our requested appropriations. A large share of these expenses are driven by the volume of production and sales at the mill.

Section 9 of House Bill 1015 from the 2003 Session directed that we report our estimated profits for the biennium. Profits for fiscal year 2004 were \$5,636,472. Estimated profits for the current fiscal year are \$3,800,000 resulting in projected profits for the 2003-2005 biennium of \$9,436,472.

The transfer to the General Fund has been budgeted at \$5 million for the 2005-2007 biennium. This is the same as the current 2003-2005 biennium.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.



*except for these sheets
same testimony given
to the House*

**Legislative Committee Hearing
February 28, 2005
Engrossed Senate Bill No. 2014 Budget No. 475
North Dakota Mill & Elevator Association**

Mr. Chairman and Representatives:

My name is Vance Taylor. I am President and General Manager of the North Dakota Mill and Elevator. With me today is Ed Barchenger, our Controller and Finance Manager.

The North Dakota Mill and Elevator Association is the 2nd largest flour mill and the 11th largest milling company in the United States with sales of over \$120 million per year.

The complex presently includes 5 milling units with the capacity to produce 2.7 million lbs. of finished product per day, a terminal elevator with total available storage of over 4,000,000 bu. of grain and a packaging center and warehouse capable of producing, storing and shipping large quantities of various sized bags of milled products. We process up to 65,000 bu. of top quality North Dakota spring and durum wheat per day, adding value to over 19,000,000 bu. per year. All facilities are located in Grand Forks.

The mill operates 24 hours per day, 5 to 7 days per week. Total current staffing is 125 full time employees.

We are primarily a spring-wheat mill, shipping 90% spring wheat products vs. 10% durum products. 70% of all products are shipped in bulk trucks or railcars vs. 30% shipped in bags or totes. Organic spring wheat and durum products now make over 2% of total shipments.

Budget Request

All operating funds are generated from profits. Short or long-term needs are met by borrowing from the Bank of North Dakota. No funds or financial assistance is received from the State.

The budget request is for \$32,907,254. This is a \$2,907,102 increase. This increase represents increases in both wages and benefits and other operating expenses.

Wages and benefits increase \$657,285 over the current budget. The mill is in the final year of a two-year contract with the Local Union No. 135 of the American Federation of Grain Millers International. This contract expires June 30, 2005. Contract negotiations will begin this spring on a new contract. The Union represents approximately 65% of the employees at the mill.

Operating expenses excluding wages and benefits increased \$1,967,817. Travel expenses increased \$60,651 over the current budget. Increased fuel costs will drive up the cost of travel. There will also be an increase in the amount of travel in order to sell the additional 1.2 million cwts. of production.

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Miscellaneous supplies expense increased by \$425,450. The major item driving this expense is the cost of fumigations. Currently methyl bromide is used to fumigate the plant. This must be phased out and a new method used. The alternatives to methyl bromide are significantly more expensive.

These five items, wages and benefits, travel, utility expense, repair expense, and miscellaneous supplies expense account for \$2,494,667 or 86% of the increase in our requested appropriations. A large share of these expenses are driven by the volume of production and sales at the mill.

Section 9 of House Bill 1015 from the 2003 Session directed that we report our estimated profits for the Biennium. Profits for fiscal year 2004 were \$5,636,472. Estimated profits for the current fiscal year are \$3,800,000 resulting in projected profits for the 2003-2005 Biennium of \$9,436,472.

The transfer to the General Fund has been budgeted at \$5 million for the Biennium. This is the same as the current Biennium.

The Senate made one change to our budget. The Senate directed the mill to transfer \$250,000 to the Trade Promotion Authority (see Section 16 of Engrossed Senate Bill 2014). However, they only provided \$200,000 for this transfer. We request that you increase the appropriations from \$200,000 to \$250,000. We would further suggest that for accounting purposes Section 3 and Section 16 be amended and at your direction we would provide you with draft language.

Thank you for your time and consideration of our budget request. I will be happy to answer any questions.

K Mill and C Mill Capacity Increase

An opportunity exists to increase the capacity of the K Mill from 8,000 cwts. per day to 9,000 cwts. per day and to increase K Mill yields by 1% with the purchase and installation of equipment using the latest technology. The resulting K Mill layout will free up space for the installation of a new, automated 3,000 cwt. spring wheat mill within the existing mill and cleaning house buildings. The addition of 1,000 cwts. of daily capacity on the K mill and 3,000 cwts. of daily capacity on the new "C Mill" is necessary to meet the increasing demand of current customers and to facilitate continued growth of the business. Benefits of the project also include improved flexibility for organic and identity preserved runs utilizing the new C Mill.

ASSUMPTIONS:

Project completed and begins operating 7/1/05

Project Cost \$ 5,700,000

Gross cash flow per cwt projected at 90% of current cash flow per cwt.

Variable production costs estimated at total FY 2004 plant costs less depreciation less
44% of salary and benefits of plant employees.

Incremental lab costs estimated at FY 2004 lab costs per cwt times additional cwts sold.

Incremental General & Administrative costs estimate reflects added costs to process the
additional paperwork and manpower involved with the additional sales volume and the
interest expense on the borrowed funds.

Capacity increase on K Mill	1,000 cwts.
Capacity of "C" Mill	3,000 cwts.
Production days per year	300
Yield increase on K Mill	1.00%

Analysis:

Scenario 1 Additional capacity sold by 7/1/05

Period	Increase in Sales - Cwts.	Net Cash Flow on Incr. Cwts.	Cash Flow on Yield Incr. in K Mill	Additional Cash Flow
FY 2006	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2007	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2008	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2009	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2010	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
Project Cost				\$ 5,700,000
Payback in years				3.6

Analysis:Scenario 2 50% of capacity sold by 7/1/05, 75% capacity sold by 7/1/06,
100% capacity sold by 7/1/07

Period	Increase in Sales - Cwts.	Net Cash Flow on Incr. Cwts.	Cash Flow on Yield Incr. in K Mill	Additional Cash Flow
FY 2006	600,000	\$ 740,299	\$ 87,455	\$ 827,754
FY 2007	900,000	\$ 1,110,448	\$ 87,455	\$ 1,197,904
FY 2008	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2009	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
FY 2010	1,200,000	\$ 1,480,598	\$ 87,455	\$ 1,568,053
Project Cost				\$ 5,700,000
Payback in years				4.3

Fine, Karlene K.

From: Ed Barchenger [EBarchen@NDMILL.com]
Sent: Wednesday, March 09, 2005 4:40 PM
To: Fine, Karlene K.
Subject: Overtime

Karlene

The following paragraph is from the union contract and deals with who has preference for the overtime.

- 7.1 The provisions of this Agreement are not intended and shall not be construed as preventing overtime work. For Monday through Friday overtime preference shall be given; first, to classification by seniority; second, to the senior qualified person in the department; and third, to senior qualified person in the plant except for the packing department where preference shall be given; first, to the person on the job (unless that person is a utility or temporary person); second, to classification by seniority; third, to the senior qualified person in the department; and last, to the senior qualified person in the plant. For Saturday and Sunday work, preference shall be given employees on the basis of seniority who are qualified and available to perform the work operation in question except for the packing department where preference shall be given; first, to classification by seniority; second, to the senior qualified person in the department; and third, to the senior qualified person in the plant. When overtime work is required, the employees will be notified as far in advance as is practical under the circumstances.

Classification by seniority means that if a person is classified to do a job even though they are no longer in the department they can bid in on the job. Thus an employee who is no longer working in the packing department if they hold the classification of a packer can bid in on a job if they have the seniority.

It is more common for a senior employee to push a junior employee to work overtime.

Ed B.

3/15/2005



2
H.A pp. 6.0,
Fri 3/18/05
SB2014
Dir.
Fine

INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

March 17, 2005

Representative Carlisle
Chair, Government Operations Division
House Appropriations Committee

Re: Engrossed Senate Bill 2014

Representative Carlisle, you requested additional information on the State Mill and specifically on the Union and the contract with the Union.

Mill Profits

- I've attached a history of the profits of the State Mill and the transfers to the General Fund since 1971.

Funding of Mill operations

- The comment was made that the General Fund provided funds for the State Mill. The Mill appropriation comes from Mill funds. I am not aware of any General Fund dollars being appropriated to the State Mill for their operations for at least the last 30 years.
- The Mill has a line of credit with the Bank of North Dakota to provide cash flow needs for the Mill's operations such as purchase of grain and other raw materials. The Mill is a business that generally has its assets in the form of equipment and buildings, and utilizes a line of credit for meeting its liquidity needs.

Business Growth

- The major renovation and expansion project was completed in FY 2002. That project was financed with cash and borrowing from the Bank of North Dakota. The total cost of the project was \$19.5 million. During FY 2005 two new projects were approved that will result in an additional increase in capacity of 5000 cwt. per day. The first project replaced the whole-wheat milling unit with a larger, automated mill at a cost of \$1.7 million. It is anticipated that the payback for this project will be 4.8 years. The second project upgrades and expands a spring-wheat milling unit and provides for the completion of a new spring-wheat mill within the Mill's existing facility buildings at a cost of \$5.7 million. The payback on this project is 4.3 years.

Labor Relations

- The Mill is authorized 125 employees. Of these 125 employees just over 80 belong to the union. (65% of the Mill's employees) The majority of the union employees are in the production side of the Mill operations.
- The Union Charter at the State Mill shows a date of October 7, 1948. Unfortunately, I have not been able to do a search of the archives regarding the State Mill to determine reasons why the charter was adopted on that particular date. (There is the chance that the Union was negotiating with Mill management prior to that date but at this point I cannot indicate one way or the other.)
- The Mill and the Union is currently under a contract that expires on June 30, 2005. The current contract authorizes a 2% salary increase each year of the two-year contract. The Mill and Union will begin negotiations in the near future on a new contract.
- The Union is unable to strike.
- The determination of who should work overtime is spelled out in the union contract and is reviewed and often re-negotiated each contract. The current contract provision regarding overtime work is attached. In essence what this states is that an employee may bid in on a job if they have seniority and are qualified for the job. The question posed during our discussions was what the compensation would be. The payment for the job is based on the job and not on the employee's current compensation. That is, if you are an employee in your regular position making \$15.00 an hour and there is a "job" that is usually done by an employee making \$10.00 an hour the \$15.00 employee would be paid the overtime rate of the \$10.00 an hour employee. The only exception would be if Mill management required the higher paid employee to take the job. This happens on rare occasions.
- For the past few sessions the Union has requested that legislation be introduced that would require the Mill to provide retirement benefits on overtime wages. Currently state law does not allow any state employee to receive retirement benefits on overtime wages. When there is demand for the Mill's products (which we hope is the case) the Mill will run on a 24 hour 7-day basis. This often means an employee will work more than 40 hours a week. An option the Mill does consider is adding a fourth shift and reducing the hours of the Mill employees. This is not something that Mill employees would advocate and, in fact, the employees have gone on record indicating that they do not object to the overtime work. Their issue is that they believe they should receive the retirement benefit on the overtime wages. Mill management has found that the current benefits package offered by the State Mill is comparable to what is offered by other mills. Mill management does on an ongoing basis review whether it is more cost effective for the State Mill to continue to pay overtime with a three-shift operation or to add an additional shift, reduce overtime and hire additional employees.

If you have any questions about this material or any further questions regarding the Mill, please feel free to give me a call at 328-3722. Karlene

NORTH DAKOTA MILL AND ELEVATOR PROFIT TRANSFERS TO GENERAL FUND

Revised 3-15-05

<u>F/Y Ending</u>	<u>Mill & Elev Profits</u>	<u>Transfer to Gen Fund</u>
6/30/1971	636,097	1,000,000
6/30/1972	613,506	150,000
6/30/1973	1,733,770	850,000
6/30/1974	5,336,832	0
6/30/1975	3,975,589	0
6/30/1976	3,284,025	1,500,000
6/30/1977	4,187,125	1,500,000
6/30/1978	2,974,412	3,000,000
6/30/1979	2,962,161	3,000,000
6/30/1980	3,906,966	3,000,000
6/30/1981	4,842,506	3,000,000
6/30/1982	1,544,235	1,000,000
6/30/1983	2,282,753	1,000,000
6/30/1984	3,335,341	1,500,000
6/30/1985	1,056,846	1,500,000
6/30/1986	1,587,056	1,500,000
6/30/1987	366,095	1,500,000
6/30/1988	5,013,399	1,500,000
6/30/1989	2,314,613	1,500,000
6/30/1990	2,559,709	1,750,000
6/30/1991	2,434,959	1,750,000
6/30/1992	3,190,557	1,500,000
6/30/1993	1,031,157	1,500,000
6/30/1994	(1,101,120)	0
6/30/1995	218,005	0
6/30/1996	1,828,673	0
6/30/1997	4,998,786	1,000,000
6/30/1998	3,277,643	0
6/30/1999	4,330,482	3,000,000
6/30/2000	1,850,242	0
6/30/2001	330,084	3,000,000
6/30/2002	1,924,595	0
6/30/2003	2,003,461	6,000,000
6/30/2004	5,636,472	0
6/30/2005	3,800,000 *	5,000,000
Total 1971-2005	90,267,032	52,500,000

* Estimate

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**TESTIMONY TO THE
SENATE APPROPRIATIONS COMMITTEE**

January 14, 2005

SENATE BILL 2014

ERIC HARDMEYER - BANK OF NORTH DAKOTA

Senate Bill 2014 contains six sections relative to Bank of North Dakota. Those sections are listed below along with the page numbers of the bill which correspond in this testimony:

Section 1: Base Level funding information

Subdivision 2: BND - Operations (page 2)

Subdivision 3: BND – Economic Development

Section 2: Funding Adjustments or Enhancements information

Subdivision 2: BND - Operations (pages 3)

Subdivision 3: BND – Economic Development

Section 3: Appropriation

Subdivision 2: BND - Operations (pages 4, 5)

Subdivision 3: BND – Economic Development

Section 7: BND Transfer to the Industrial Commission for its administration and clerical support operations (page 6)

Section 14: BND Enterprise Fund, not Government Fund (page 8)

Section 28: Emergency Provision for PACE Program (page 16)

Comments relative to each section and subdivision, along with supporting documentation, are attached.

**BANK OF NORTH DAKOTA
SENATE BILL 2014
OPERATIONS SECTIONS 1-3**

The Bank of North Dakota's (BND) 2005-07 proposed operations budget is comprised of the five major line items outlined below. BND revenues fund all Bank expenses and profits are available to provide capital or make transfers to the General Fund.

BND Financial Highlights (millions)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	Unaudited <u>2004</u>	Projected <u>2005</u>
Assets	\$2,107	\$1,974	\$1,953	\$2,015	\$2,000
Loans	\$1,276	\$1,330	\$1,392	\$1,456	\$1,506
Capital	\$ 170	\$ 149	\$ 153	\$ 153	\$ 160
Ratio	8.07%	7.55%	7.83%	7.75%	8.00%
Income	\$33.1	\$32.2	\$31.7	\$34.2	\$35.0
GF transfer	\$50.0	\$30.0	\$34.0	\$30.0	\$30.0
ROE	19.5%	21.6%	20.7%	22.4%	21.9%

Assets have remained fairly constant over the last 4 years, although loan volume has increased each year. The loan portfolio is diversified into four main categories: business, agriculture, student loans, and residential. The breakdown is as follows: business - \$480 million, agriculture - \$236 million, student loans - \$417 million, and residential - \$322 million. Additionally over the last three years, the Bank has sold over \$134 million in loans to the Student Loan Trust.

BND capital or equity has dropped from \$170 million in 2001 to current levels of \$153 million. This is attributed to the one time transfer of \$18 million to assist with the budget shortfall in the 2001-03 biennium. For the last five biennium's, the Bank has transferred to the general fund nearly \$270 million, making it the fifth largest source of revenue to the state.

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Earnings have been consistent over the last four years, with BND achieving a record profit in 2004 of \$34.2 million (unaudited at this point). Earnings over the current biennium will be approximately \$67 million, allowing BND to grow capital by \$7 million after the general fund transfers.

The return on equity ratio, which averages over 21% for the last four years, represents the state's return on its investment in the Bank.

In November 2004, Moody's Investor Service, a national rating agency, raised ND's issuer rating to Aa2 from Aa3. They cited as reasons: a history of conservative management, strong financial results and a low debt burden. They also stated "the upgrade is based on a reassessment of benefits and potential risk from the operations of the Bank of North Dakota, the nation's only state-owned financial institution".

MAJOR LINE ITEM EXPENSE CATEGORIES:

SALARIES AND WAGES

Budget 2005-2007	\$18,249,597	Appropriation
Budget 2003-2005	<u>16,527,614</u>	Base level
	\$ 1,721,983	Enhancement

The salaries and wages line item includes the proposed executive budget increases for salaries for the 2005-07 biennium. Our salary base increased this biennium as BND made a number of salary increases as allowed by law for workload and equity adjustments. These increases were necessary to ensure that we remain competitive with the financial industry.

BND continues to monitor efficiency ratios for salaries and wages and also in regard to the number of employees at the Bank. Expenditures for salaries and benefits are .42% of average assets. Industry average for banks in North Dakota is well over 1%. Operating profit per employee at BND is \$201,000, compared to the industry average for banks in North Dakota of less than \$80,000. There are \$11.8 million in assets per employee at BND. The industry average for banks in North Dakota is \$3 million per employee. These industry averages are taken from the 2004 Sheshunoff Publication: *Banks and S&L's of the Great Plains*. Sheshunoff is a nationally recognized bank analysis and consulting firm.

We have 178.5 FTE authorized for BND. Currently we have 170 positions filled and we are actively recruiting for 2 positions. Before we fill a vacated position, we first determine if there is a way to absorb the responsibilities with existing staff. We believe that resources (human, equipment, etc.) should be available to flow to the location within the bank where they are needed. Consequently, if we have a business opportunity where additional revenue can be generated or if there is a specific need, we have the ability to move resources to meet the need.

OPERATING EXPENSES

Budget 2005-2007	\$10,925,665*	Appropriation
Budget 2003-2005	<u>\$10,925,665</u>	Base level
	\$ 0	Enhancement

*as amended

We are requesting that our budget for the appropriated operating expense line item be amended and reduced (\$1,182,535) to the same level as the 2003-05 biennium. Since the 2005-07 biennial budget was submitted last summer, we have identified areas of cost reduction that will occur in the next biennium. These reductions can be attributed to the new core banking systems that will be implemented in the next few months. More specifically, savings will come in the areas of reduced maintenance fees, courier costs, and lower mainframe charges.

CAPITAL ASSETS

Budget 2005-2007	\$ 11,272,000	Appropriation
Budget 2003-2005	<u>825,000</u>	Base level
	\$ 10,447,000	Enhancement

The increase in the capital asset budget is due to a request for new building construction. Included in the budget is \$11 million for construction, relocation costs, and new furniture and fixtures.

BUILDING HISTORY

BND has two separate building structures; the 'tower' built in 1917, and the 'annex' built in 1967. The tower was originally built and utilized as an automobile assembly plant. Two years later the building was sold to the State of ND to house BND. The annex, a former grocery store, was purchased in 1989 and was remodeled to house the student loan division (SLND). At that time, SLND was located off-site at the corner of Airport Road and Expressway Avenue in Bismarck. The two facilities combined with the connecting link total 50,750 square feet (tower ~ 27,000 sq. ft, annex ~ 23,000 sq. ft.).

The most recent major renovations to the tower were done in the 1970's, involving a new exterior and minor internal structural changes. The new building exterior paneling eliminated all exterior windows above ground level.

In May of 2004, BND commissioned a study by Jiran Architects of Bismarck to review the structural, environmental, and mechanical integrity of the BND buildings. Jiran also reviewed the structures for regulatory compliance. Significant concerns were noted in the study that affects employee and customer health and safety, and the ability of BND to provide services to our customers in the most effective manner. Following is a brief outline of the findings:

CONCERNS WITH THE BUILDING:

Tower Building

Environmental – The presence of asbestos and mold growth were confirmed in the study. There is also a strong possibility that lead paint may be present.

Structural – The elevator and fire escape do not meet new code requirements and must be replaced. No natural lighting exists due to the exterior façade attached in the 1970's.

Mechanical – The building is not equipped with a fire sprinkler system and air handling and cooling equipment are nearing their life expectancies and will need to be replaced in the future. Major re-plumbing, lighting and electrical work are required.

Annex Building

Mechanical – Rooftop air conditioners and electrical switchgears are nearing their life expectancy. The building is not equipped with a fire sprinkler system

Structural – The building's roof is also nearing its life expectancy and major remodeling is required. Because the annex is constructed on a slab on grade, additional floors cannot be built above it.

CONSTRUCTION ALTERNATIVES

Estimated Costs to Renovate the Tower and Annex:

Tower	\$4,500,000
Annex	1,500,000
FF&E	750,000
Fees	650,000
Relocation, misc.	<u>450,000</u>
	\$7,850,000

Estimated Cost for Annex Renovation, Tower Replacement:

Annex renovation	\$1,500,000
Tower demo	500,000
Tower replacement	5,000,000
FF&E	750,000
Fees	600,000
Relocation, misc.	<u>450,000</u>
	\$8,800,000

Estimated New Construction:

Building 60,000 sq. ft @ \$120/ft	\$7,200,000
Land acquisition	1,500,000
Fees, Contingency	850,000
FF&E	1,000,000
Moving, misc.	450,000
	<u>\$11,000,000</u>

FUNDING ALTERNATIVES FOR CONSTRUCTION

- 1) Pay cash – BND has sufficient liquidity to easily handle this method.
- 2) Issue debt – Opportunities exist to issue tax-exempt debt for construction.

The impact (assuming an \$11 million project) to the BND income statement would be minimal and is described below. This would not impede our ability to make the general fund transfers, nor would it have a direct impact on our capital position.

Cash or Debt Issuance:

\$35,000,000 pre-construction income
- 330,000 investment income loss
- <u>275,000 depreciation</u>
\$34,395,000 post construction income

SUMMARY

The current Bank of North Dakota buildings have significant structural, environmental and regulatory deficiencies that threaten the health and safety of BND employees and our customers. Renovation of the current buildings is not a feasible selection if the criterion is the most effective and efficient way to deliver customer services in accordance with BND's vision. BND requires a new building to best meet the needs of our customers, to facilitate the accomplishment of our mission and strategic objectives, and to provide a safe and healthy work environment for the people at BND who work hard to provide a return to the State of North Dakota.

CONTINGENCY

Budget 2005-2007	\$ 1,700,000	Appropriation
Budget 2003-2005	<u>1,500,000</u>	Base level
	\$ 200,000	Enhancement

The \$1,700,000 is requested to budget for the potential need for additional production time from the ND Information Technology Department, unanticipated costs with core banking conversion, purchase of new ancillary systems for correspondent bank services and for possible upgrades to our core systems platforms.

**BANK OF NORTH DAKOTA
SENATE BILL 2014
ECONOMIC DEVELOPMENT SECTIONS 1-3**

PACE FUND

Budget 2005-2007	\$ 5,700,000	Appropriation
Budget 2003-2005	<u>5,700,000</u>	Base level
	\$ 0	Enhancement

The PACE Fund was established to buy down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium are as follows:

1991-1993	\$5,700,000
1993-1995	4,700,000
1995-1997	4,500,000
1997-1999	4,600,000
1999-2001	6,000,000
2001-2003	6,000,000
2003-2005	5,700,000
2005-2007	<u>5,700,000</u> (Proposed)
Total	\$42,900,000

BEGINNING FARMER REVOLVING LOAN FUND

Budget 2005-2007	\$ 0	Appropriation
Budget 2003-2005	<u>950,000</u>	Base level
	\$ (950,000)	Enhancement

The Bank has determined that the Beginning Farmer Revolving Loan (BFRL) fund has sufficient resources to fund the buydown provisions for both Beginning Farmer and AG PACE programs. This will save the General Fund \$2,375,000. As of December 31, 2004 the BFLR fund has \$9,858,100 of cash and \$8,583,467 of loans in a total fund of \$21,444,629. This compares to \$8,939,796 of cash and \$9,085,815 of loans one year ago. Additionally, the fund has grown by nearly \$875,000 from last year. Statute allows funds to be transferred between the Beginning Farmer Revolving Loan Fund and the Ag PACE Fund.

The Beginning Farmer Revolving Loan Fund was established to make direct loans or buy down the interest rate on loans to beginning farmers for the first purchase of farm real estate or chattels.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	\$1,000,000
1993-1995	1,000,000
1995-1997	950,000
1997-1999	921,500
1999-2001	1,000,000
2001-2003	1,000,000
2003-2005	950,000
2005-2007	0
Total	\$6,821,500

AG PACE FUND

Budget 2005-2007	\$	0	Appropriation
Budget 2003-2005		<u>1,450,000</u>	Base level
		\$ (1,450,000)	Enhancement

The Bank has determined that the Beginning Farmer Revolving Loan Fund has sufficient resources to fund the buydown provisions for both AG Pace and Beginning Farmer programs. This will save the General Fund \$2,375,000. Statute allows funds to be transferred between the Beginning Farmer revolving loan fund and the Ag PACE Fund.

The Ag PACE Fund was established to buy down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The Ag PACE Fund began in 1991. Money provided to the Ag PACE Fund by biennium are as follows:

1991-1993	\$	996,000
1993-1995		400,000
1995-1997		380,000
1997-1999		397,100
1999-2001		1,500,000
2001-2003		1,500,000
2003-2005		1,425,000
2005-2007		0
Total		\$6,598,100

Attached for your information is the activity for the programs from the inception to date.

SENATE BILL 2014, SECTION 7
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs. For the 2005-07 biennium, the amount to be transferred is \$89,420.

SENATE BILL 2014, SECTION 14
BND Enterprise, not Government Fund

This language is included to clarify that appropriations for the PACE Programs go directly to the fund, not to BND for its operations. BND is an enterprise fund, not a government fund (or general fund agency), that is, it generates revenues to cover all of its own operations. The appropriations for PACE Programs are passed through BND because it manages the PACE funds.

SENATE BILL 2014, SECTION 28
Emergency provision for PACE funds

The buy down funding for the PACE Program is requested with an emergency provision so that it is available as soon as possible.

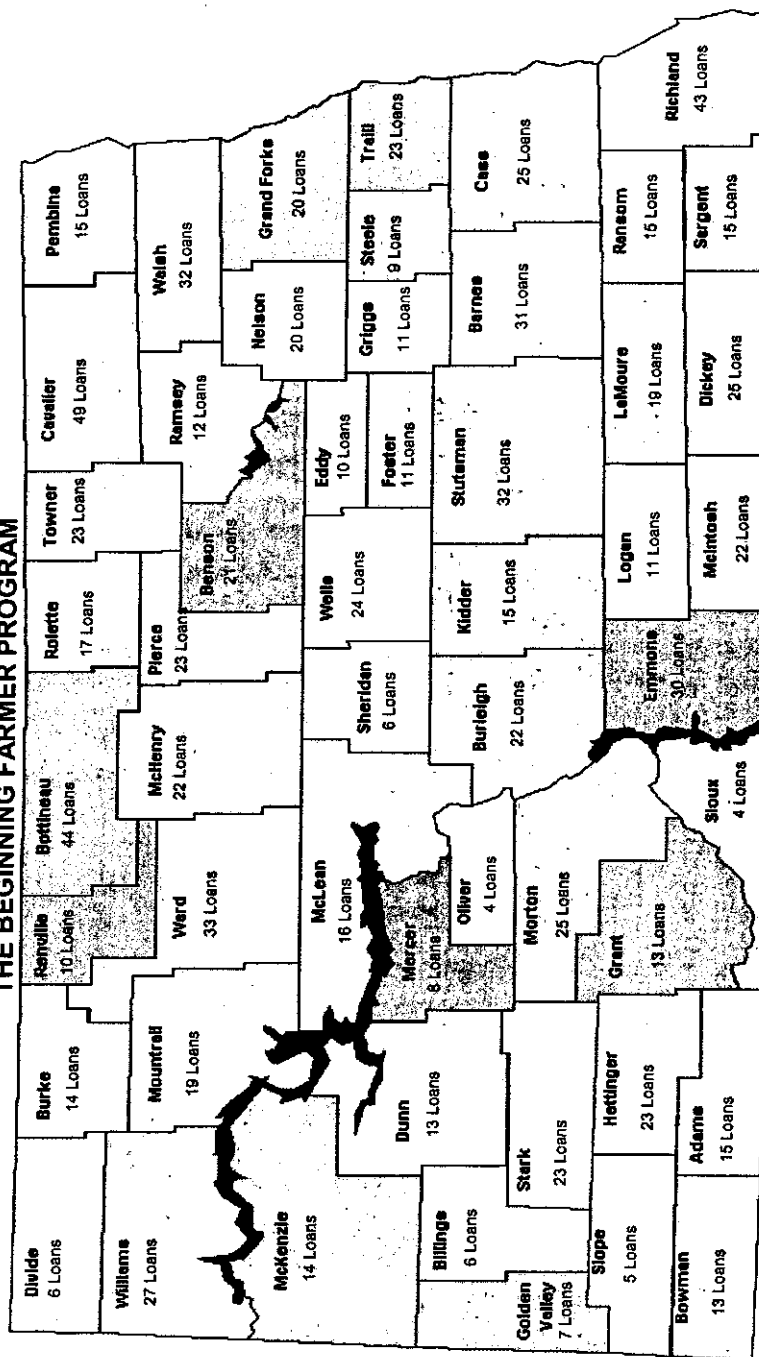
BEGINNING FARMER REAL ESTATE LOAN PROGRAM

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	995	22	1,017
AMOUNT	\$79,952,147	\$2,452,575	\$82,404,722
BUYDOWN	\$ 7,399,060	\$ 236,071	\$ 7,635,131

2003-2005 Biennium Beginning Farmer RE Buydown Fund		
Total Available Funds		\$2,080,926*
Buydown - Funded/Real Estate Committed Loans		\$1,195,525
Buydown - Funded/Chattel Committed Loans		<u>\$ 428,570</u>
Remaining Buydown Funds		\$ 456,831

*Total buydown funds are shared between Real Estate & Chattel Loans. (\$950,000 appropriation less \$169,074 previous biennium commitments. \$500,000 was transferred from AgPACE fund on 4/26/04 and \$800,000 on 11/24/04 to the Beginning Farmer Buydown Fund.)

FARM OPERATIONS WHICH HAVE UTILIZED THE BEGINNING FARMER PROGRAM



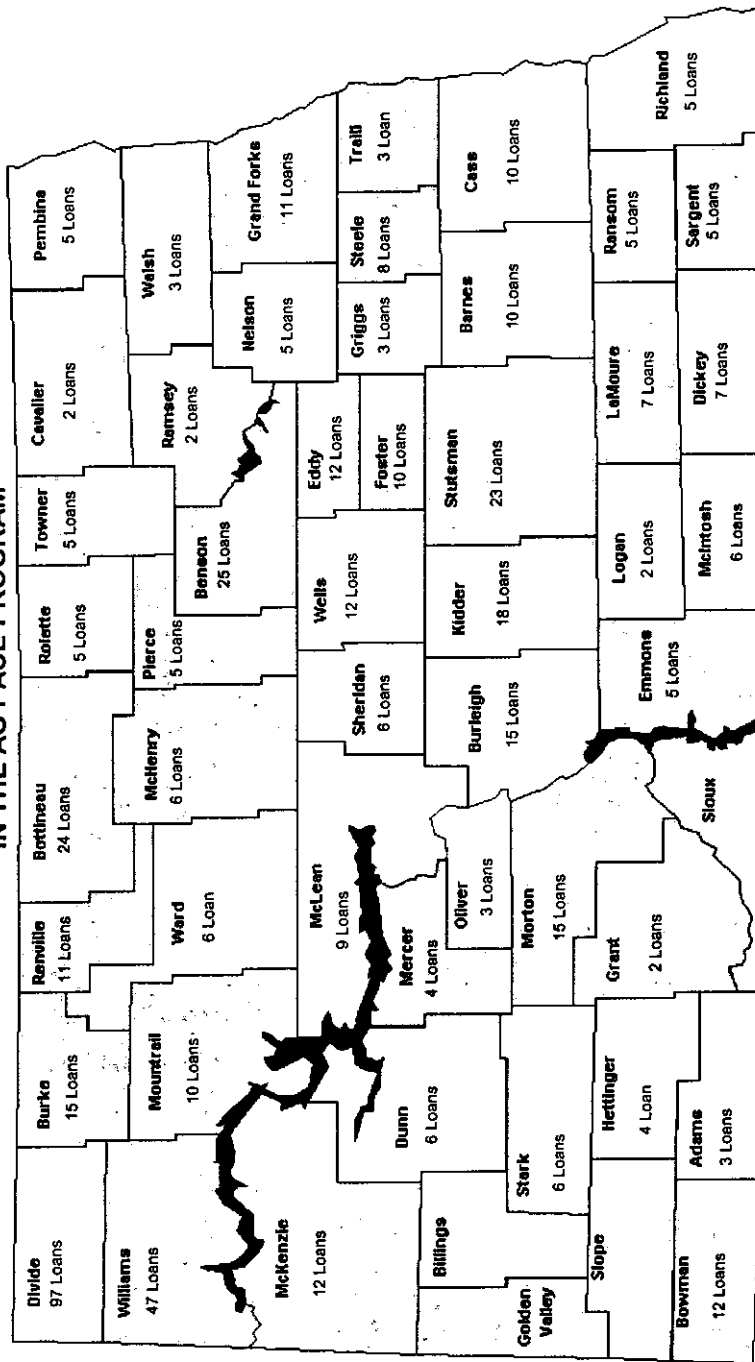
This graph depicts loan activity in the New Beginning Farmer Loan Program from its inception on July 1, 1991 through December 31, 2004
Includes loans made out of the Beginning Farmer Revolving Fund.

AG PACE LOAN PROGRAM

	FUNDED LOANS	COMMITTED LOANS	TOTAL LOANS
NUMBER	532	11	543
AMOUNT	\$ 24,014,184	\$ 1,065,920	\$ 25,080,104
BUYDOWN	\$ 4,646,794	\$ 157,114	\$ 4,803,908

2003-2005 Biennium Ag PACE Buydown Fund
 Total Available Funds \$1,303,882 *
 Remaining Buydown Funds \$1,019,778
 Buydown funds - Funded/Committed Loans \$ 284,104
 -\$800,000 may be transferred to NDSU Beef Research Center (HB1021).
 \$500,000 was transferred to Beginning Farmer Buydown Fund 4/26/04.
 and \$800,000 on 11/24/04. In addition, \$700,000 was transferred from the
 PACE fund to the Ag PACE fund on 11/24/04.

COUNTIES WHICH HAVE PARTICIPATED IN THE AG PACE PROGRAM



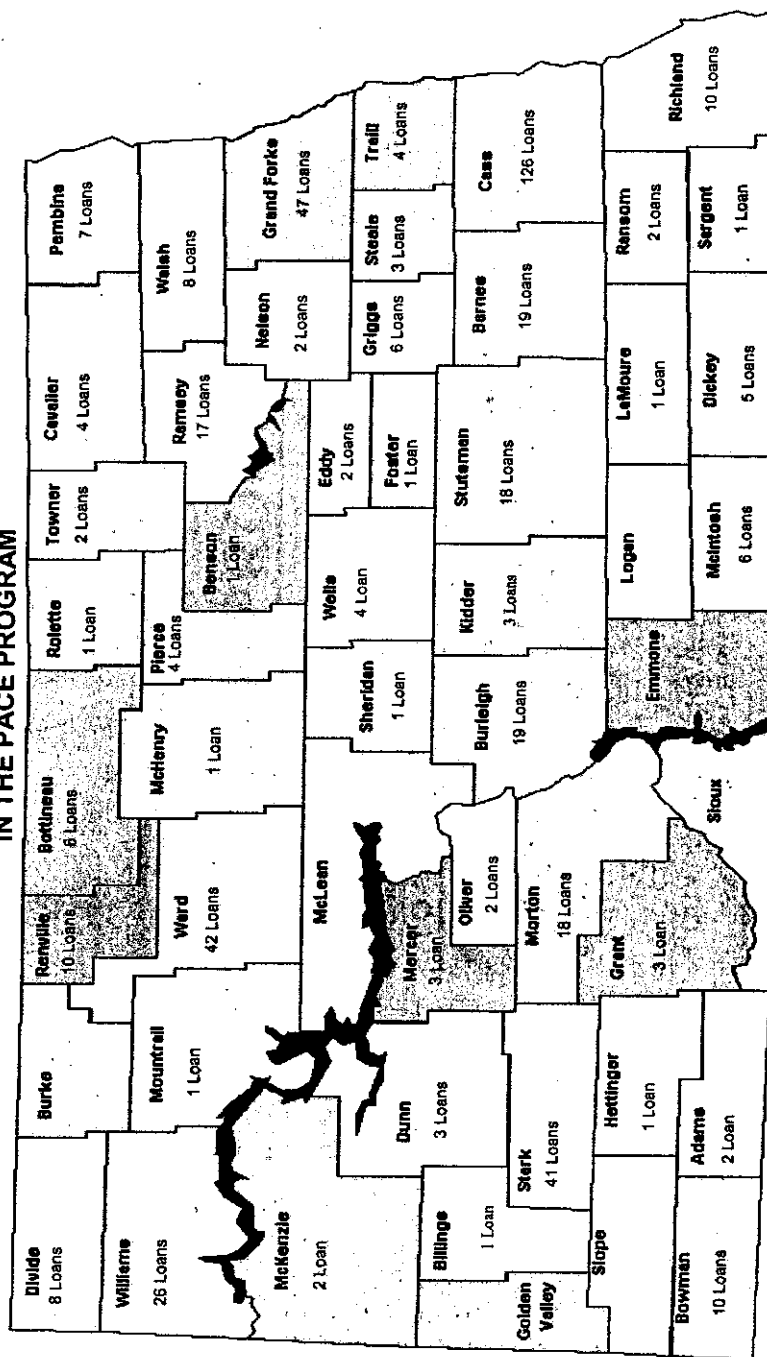
This graph depicts loan activity in the AG PACE Loan Program from its inception
on July 1, 1991 through December 31, 2004

NOTE: Each AG PACE loan represents the creation of a new-farm business or
the expansion of an on-farm business (non-traditional agriculture).

<u>2003-2005 Biennium Buydown Fund</u>	
Total Available Funds	\$8,559,641 *
Buydown Funds - Funded/Committed Loans	<u>\$4,183,764</u>
Remaining Buydown Funds	\$4,375,877
* \$700,000 was transferred from the PACE fund to the Ag PACE fund on 11/24/04.	

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	504	19	523
AMOUNT	\$301,531,051	\$14,884,640	\$316,415,691
BUYDOWN	\$ 40,992,224	\$ 2,110,654	\$ 43,102,878
JOBS	9,369	215	9,584

COUNTIES WHICH HAVE PARTICIPATED IN THE PACE PROGRAM



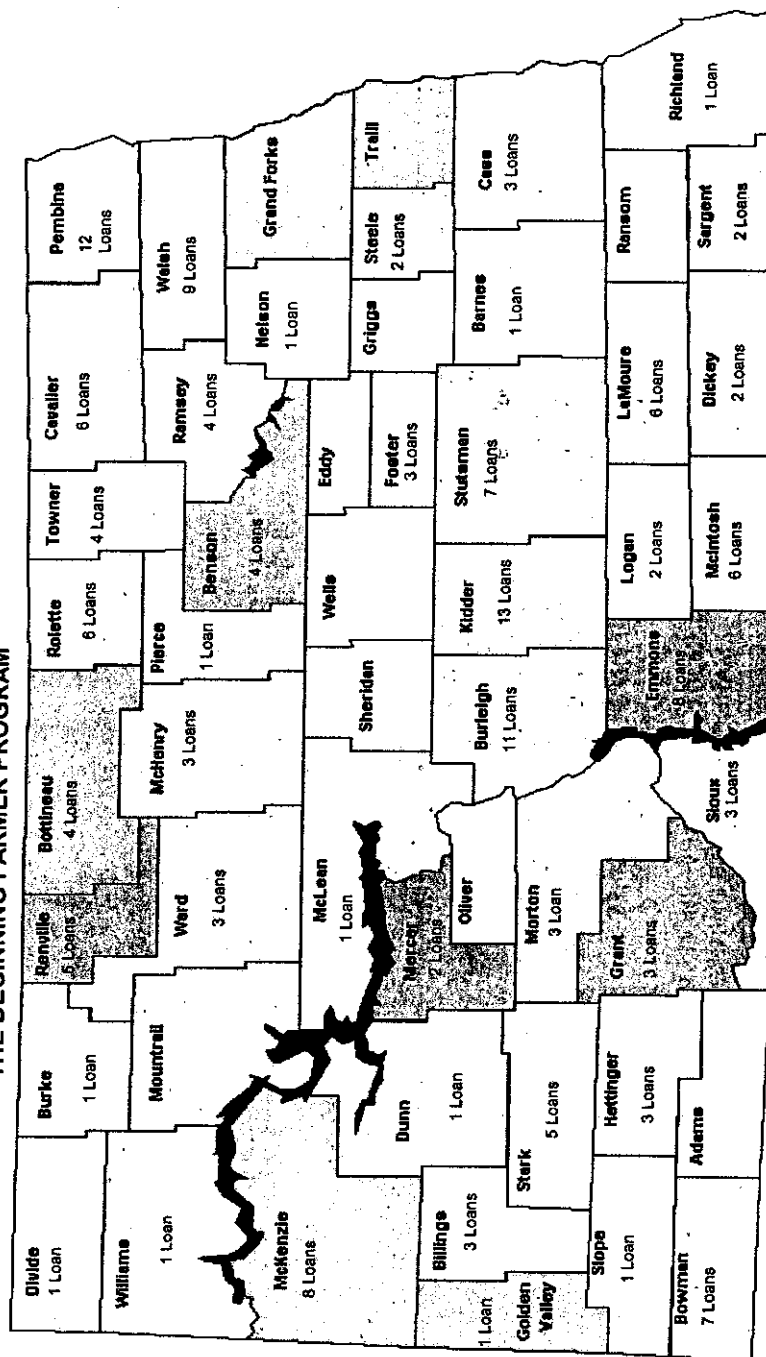
This graph depicts loan activity in the PACE Loan Program from its inception on March 2, 1990 through December 31, 2004

BEGINNING FARMER CHATTEL LOAN PROGRAM

	<u>FUNDED LOANS</u>	<u>COMMITTED LOANS</u>	<u>TOTAL LOANS</u>
NUMBER	173	5	178
AMOUNT	\$11,981,609	\$ 213,000	\$12,194,609
BUYDOWN	\$ 1,088,778	\$ 22,028	\$ 1,110,806

2003-2005 Biennium Beginning Farmer Chattel Buydown Fund	
Total Available Funds	\$2,080,926*
Buydown - Funded/Real Estate Committed Loans	\$1,195,525
Buydown - Funded/Chattel Committed Loans	\$ 428,570
Remaining Buydown Funds	\$ 456,831
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**FARM OPERATIONS WHICH HAVE UTILIZED
THE BEGINNING FARMER PROGRAM**



This graph depicts loan activity in the Beginning Farmer Chattel Loan Program from its inception on July 1, 2001 through December 31, 2004. Loans are made out of the Beginning Farmer Revolving Fund.

Bank of North Dakota
January 14, 2005

PROPOSED AMENDMENTS TO SENATE BILL NO. 2014

Page 3, remove line 16

Page 3, line 19, replace "\$13,551,518" with "\$12,368,983"

Page 4, line 7, replace "25,270,609" with "24,088,074"

Page 4, line 8, replace "\$22,730,650" with "\$21,548,115"

Page 4, line 28, replace "12,108,200" with "10,925,665"

Page 4, line 31, replace "\$43,329,797" with "\$42,147,262"

Page 5, line 24, replace "155,912,643" with "154,730,108"

Page 5, line 25, replace "\$168,474,568" with "\$167,292,033"

Renumber accordingly

Statement of Purpose: To reduce the operating and special fund lines for the Bank of North Dakota.

**TESTIMONY TO THE
HOUSE APPROPRIATIONS COMMITTEE**

FEBRUARY 28, 2005

SENATE BILL 2014

ERIC HARDMEYER - BANK OF NORTH DAKOTA

Senate Bill 2014 contains six sections relative to Bank of North Dakota. Those sections are listed below along with the page numbers of the bill which correspond in this testimony:

Section 1: Base Level funding information

Subdivision 2: BND - Operations (page 2)

Subdivision 3: BND – Economic Development

Section 2: Funding Adjustments or Enhancements information

Subdivision 2: BND - Operations (pages 3)

Subdivision 3: BND – Economic Development

Section 3: Appropriation

Subdivision 2: BND - Operations (pages 4, 5)

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A key industry benchmark for gauging the efficiency of a financial institution is the efficiency ratio. This measures non-interest expense as percentage of income. Anything below 50% is considered to be excellent. BND is operating with a 31% efficiency ratio, which is nearly twice as good as the industry average of 57.74%

CAPITAL ASSETS

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	\$ 17,897,000	Enhancement

*as amended per Senate action

The increase in the capital asset budget is due to a request for new building construction. BND's request was for \$11 million for construction, relocation costs, and new furniture and fixtures. The senate amended our budget and increased our capital asset budget to \$17,897,000. This would provide sufficient funding to double the size of the building from 60,000 sq. ft to 120,000 sq. ft. Their rational was to provide for efficiency by allowing other state agencies to consolidate within a new facility managed by BND.

BUILDING HISTORY

BND has two separate building structures; the 'tower' built in 1917, and the 'annex' built in 1967. The tower was originally built and utilized as an automobile assembly plant. Two years later the building was sold to the State of ND to house BND. The annex, a former grocery store, was purchased in 1989 and was remodeled to house the student loan division (SLND). At that time, SLND was located off-site at the corner of Airport Road and Expressway Avenue in Bismarck. The two facilities combined with the connecting link total 50,750 square feet (tower ~ 27,000 sq. ft, annex ~ 23,000 sq. ft.).

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CONSTRUCTION ALTERNATIVES

Estimated Costs to Renovate the Tower and Annex:

Tower	\$4,500,000
Annex	1,500,000
FF&E	750,000
Fees	650,000
Relocation, misc.	<u>450,000</u>
	\$7,850,000

Estimated Cost for Annex Renovation, Tower Replacement:

Annex renovation	\$1,500,000
Tower demo	500,000
Tower replacement	5,000,000
FF&E	750,000
Fees	600,000
Relocation, misc.	<u>450,000</u>
	\$8,800,000

Estimated New Construction:

Building 60,000 sq. ft @ \$120/ft	\$7,200,000
Land acquisition	1,500,000
Fees, Contingency	850,000
FF&E	1,000,000
Moving, misc.	<u>450,000</u>
	\$11,000,000

Estimated New Construction:

Building 120,000 sq. ft @ \$112.50/ft	\$13,500,000
Land acquisition	1,500,000
Fees, Contingency	850,000
FF&E	1,000,000
Moving, misc.	<u>450,000</u>
	\$18,450,000

Impact to BND financial statement

In either scenario the impact to the BND income statement would be minimal and is described below. Additionally, this would not impede our ability to make the general fund transfers, nor would it have an impact on our capital position.

Income Statement:

\$35,000,000 pre-construction income
- 330,000 investment income loss
- <u>275,000</u> depreciation
\$34,395,000 post construction income

Income Statement:

\$35,000,000 pre-construction income
+ 720,000 rental income*
- 550,000 investment income loss
- <u>460,000</u> depreciation
\$34,710,000 post construction income

*Assumes renting 60,000 sq. ft. @ \$12 per foot

SUMMARY

The current Bank of North Dakota buildings have significant structural, environmental and regulatory deficiencies that threaten the health and safety of BND employees and our customers. Renovation of the current buildings is not a feasible selection if the criterion is the most effective and efficient way to deliver customer services in accordance with BND's vision. BND requires a new building to best meet the needs of our customers, to facilitate the accomplishment of our mission and strategic objectives, and to provide a safe and healthy work environment for the people at BND who work hard to provide a return to the State of North Dakota.

CONTINGENCY

Budget 2005-2007	\$ 1,700,000	Appropriation
Budget 2003-2005	<u>1,500,000</u>	Base level
	\$ 200,000	Enhancement

The \$1,700,000 is requested to budget for the potential need for additional production time from the ND Information Technology Department, unanticipated costs with core banking conversion, purchase of new ancillary systems for correspondent bank services and for possible upgrades to our core systems platforms.

BANK OF NORTH DAKOTA SENATE BILL 2014 ECONOMIC DEVELOPMENT SECTIONS 1-3

PACE FUND

Budget 2005-2007	\$ 5,700,000	Appropriation
Budget 2003-2005	<u>5,700,000</u>	Base level
	\$ 0	Enhancement

The PACE Fund was established to buy down the interest rate on loans to assist North Dakota communities in expanding their economic base by providing local jobs development. The program is available to all cities and counties throughout North Dakota for business projects involved in manufacturing, processing, value-added processes and targeted service industries.

The PACE Fund began in 1991. Money provided to the PACE Fund by biennium are as follows:

1991-1993	\$5,700,000
1993-1995	4,700,000
1995-1997	4,500,000
1997-1999	4,600,000
1999-2001	6,000,000
2001-2003	6,000,000

2003-2005	5,700,000
2005-2007	<u>5,700,000</u> (Proposed)
Total	\$42,900,000

BEGINNING FARMER REVOLVING LOAN FUND

Budget 2005-2007	\$	0	Appropriation
Budget 2003-2005		<u>950,000</u>	Base level
	\$	(950,000)	Enhancement

The Bank has determined that the Beginning Farmer Revolving Loan (BFRL) fund has sufficient resources to fund the buydown provisions for both Beginning Farmer and AG PACE programs. This will save the General Fund \$2,375,000. As of December 31, 2004 the BFLR fund has \$9,858,100 of cash and \$8,583,467 of loans in a total fund of \$21,444,629. This compares to \$8,939,796 of cash and \$9,085,815 of loans one year ago. Additionally, the fund has grown by nearly \$875,000 from last year. Statute allows funds to be transferred between the Beginning Farmer Revolving Loan Fund and the Ag PACE Fund.

The Beginning Farmer Revolving Loan Fund was established to make direct loans or buy down the interest rate on loans to beginning farmers for the first purchase of farm real estate or chattels.

General Fund dollars appropriated for buying down the interest rate on these loans by biennium are as follows:

1991-1993	\$1,000,000
1993-1995	1,000,000
1995-1997	950,000
1997-1999	921,500
1999-2001	1,000,000
2001-2003	1,000,000
2003-2005	950,000
2005-2007	<u>0</u>
Total	\$6,821,500

AG PACE FUND

Budget 2005-2007	\$	0	Appropriation
Budget 2003-2005		<u>1,450,000</u>	Base level
	\$	(1,450,000)	Enhancement

The Bank has determined that the Beginning Farmer Revolving Loan Fund has sufficient resources to fund the buydown provisions for both AG Pace and Beginning Farmer programs. This will save the General Fund \$2,375,000. Statute allows funds to be transferred between the Beginning Farmer revolving loan fund and the Ag PACE Fund.

The Ag PACE Fund was established to buy down the interest rate on loans to on-farm businesses. The program is available to businesses which are integrated into the farm operation and will supplement farm income.

The Ag PACE Fund began in 1991. Money provided to the Ag PACE Fund by biennium are as follows:

1991-1993	\$ 996,000
1993-1995	400,000
1995-1997	380,000
1997-1999	397,100
1999-2001	1,500,000
2001-2003	1,500,000
2003-2005	1,425,000
2005-2007	<u>0</u>
Total	\$6,598,100

Attached for your information is the activity for the programs from the inception to date.

SENATE BILL 2014, SECTION 7
Transfer to the Industrial Commission

BND provides funding to the Industrial Commission each biennium for its operations including administrative and clerical costs. For the 2005-07 biennium, the amount to be transferred is \$89,420.

SENATE BILL 2014, SECTION 14
BND Enterprise, not Government Fund

This language is included to clarify that appropriations for the PACE Programs go directly to the fund, not to BND for its operations. BND is an enterprise fund, not a government fund (or general fund agency), that is, it generates revenues to cover all of its own operations. The appropriations for PACE Programs are passed through BND because it manages the PACE funds.

SENATE BILL 2014, SECTION 28
Emergency provision for PACE funds

The buy down funding for the PACE Program is requested with an emergency provision so that it is available as soon as possible.

TO: House Government Operations Division

FROM: Eric ^{FHH}Hardmeyer, President

DATE: March 14, 2005

RE: Building Information

The Committee asked for a side-by-side comparison of costs for bank construction on a 60,000 sq. ft. facility located either on our existing property or on property purchased off-site. Below is an estimated cost comparison.

	<u>Existing</u>	<u>Off-site</u>
Building Construction	\$7,200,000	\$7,200,000
Furniture and Fixtures	1,000,000	1,000,000
Fees	425,000	425,000
Contingency	425,000	425,000
Moving Expense	<u>450,000</u>	<u>450,000</u>
Total	\$9,500,000	\$9,500,000
Land acquisition	\$ 0	\$1,500,000
Relocation costs	450,000	0
Demolition costs	<u>750,000</u>	<u>0</u>
Grand total	\$10,700,000	\$11,000,000

The costs associated with the existing property provides funds for BND to relocate part of the staff for 18 months while the building is being constructed. We are anticipating leasing about 25,000 sq ft. at \$12 per sq. ft. Demolition costs assume both buildings are razed with additional costs for asbestos abatement.

The off-site costs do not include any money received for the sale of existing property. As I mentioned during the committee hearing, **the appraised value for our property (both buildings as is) is \$3.4 million. Conceivably, that could be used to replace a portion of the cash spent on construction. Thus, potentially reducing the net cost to the off-site construction cost to approximately \$7,600,000.**

The committee asked if the Bank of North Dakota had the ability to sell its current facility, or if legislation was needed to enable the property to be sold. According to N.D.C.C. 54-17-10, the Industrial Commission in its capacity to manage BND, has the ability to "acquire by purchase, lease ... all necessary property or property rights, and hold and possess or sell the whole or any part thereof". I believe this clearly answers the question and that **no additional legislation would be needed to sell the property.**

Thoreson, Blair

From: Eric A. Hardmeyer [ehardmey@state.nd.us]
Sent: Thursday, March 17, 2005 3:08 PM
Subject: Thoreson, Blair; Paulson, Sandy K.
Amendment to 2014 re PACE money being returned to GF

#1 H-App. 6.0,
Fri. 3/18/05
SB 2014
Pres. Hardmeyer
BNP

Rep. Thoreson;

Following is an explanation on amendment 0201;

The PACE fund is used to provide interest buydown money on loans for businesses engaged in primary sector activity that are creating new jobs.

Last July, we realized that the deal flow was down from previous years and forecasted that we would end the biennium (June 30, 2005) with a balance of \$2.5-3.0 million left in the PACE program. Normally we have used up the full appropriated amount, and in the few cases where there was a residual balance at the end of a biennium, the money simply rolled forward into the next biennium. (The interest buydown programs are set up with continuing appropriations, so that any money left in the funds stay there and don't get "turned back").

Last summer I visited with the Governor about the buydown appropriations for the upcoming budget. I indicated to him that we would have this \$2.5-3.0 million left unspent in PACE and that we would not need the full appropriation we had received for previous bienniums. He agreed and felt the best way to do this was to "turn back" \$2.2 million and fund PACE at its usual level of \$5.7 million. This would mean that there would only be net new money of \$3.5 million.

Sandy Paulson who worked on the Governor's budget, did not realize that the PACE fund had a continuing appropriation and thought that the residual, \$2.2 million or so, would automatically flow back to the General Fund.

However, for that transfer to occur this amendment must be drafted that turns back \$2.2 million to the General Fund at the end of the 2003-05 biennium.

Let me know if this clarifies the issue or if you need more information.

Eric Hardmeyer
President
Bank of North Dakota
PO Box 5509
Bismarck, ND 58506-5509
701-328-5674



North Dakota
Housing Finance Agency

PO Box 1535 · Bismarck, ND 58502-1535

INDUSTRIAL COMMISSION
JOHN HOEVEN, GOVERNOR
WAYNE STENEHJEM, ATTORNEY GENERAL
ROGER JOHNSON, AGRICULTURE COMMISSIONER

PAT S. FRICKE, EXECUTIVE DIRECTOR

SB 2014

**North Dakota Housing Finance Agency
Division of the State Industrial Commission
Budget No. 473.0**

**Testimony of Pat S. Fricke, Executive Director
Senate Appropriations Committee**

January 7, 2005

*Same given
to the
House*

Budget 473.0 of SB 2014 Section 3, Subdivision 5 covers the revenues associated with the various housing programs administered by the Housing Finance Agency (HFA) solely through Special Funds. The HFA has not utilized state General Funds of any type since its 1980 creation by initiated measure. The \$33,895,707 executive recommendation for the 2005-07 biennium represents a 0.9% increase from the last appropriation. This nominal increase is a combination of various decreases and increases, most notable a \$587,100 decrease in federal housing assistance funds, a \$395,900 increase in loan servicing release premiums purchased, and an increase of \$468,942 for salaries, wages, and benefits. HFA staffing is recommended to remain constant at 43.

Current housing programs of the HFA are briefly described in the attached program summary. Nearly all of HFA programs involve partnerships with other entities in their delivery to program beneficiaries. These partnerships include lenders, realtors, homebuilders, property developers, community action agencies, regional councils, apartment owners, non-profit organizations, other state and federal agencies. Funding of HFA programs is derived primarily from two general sources: 1) revenue bonds and 2) federal funds. Total bonds issued to date are \$2,643,274,741. Provisions are included for the associated administrative costs or administrative fees are assessed participants as appropriate. The assets, liabilities, and revenues resulting from bond issues of the HFA are not appropriated as they are not public funds and are held in trust by various bond trustees. The October 31, 2004 assets of these various bond funds were approximately \$650,000,000. HFA administrative costs of these bond financed programs (included herein) are accrued on a monthly basis and received from the Trustees. The HFA's largest single program, FirstHome loan program, since its inception has funded approximately \$1.5-billion in loans representing over 26,600 homeowners. At present, over 9,000 loans remain outstanding with over \$520,000,000 in principal balance.

New loan production during 2004 was approximately 1,350 loans representing \$115,000,000 of loan principal. During the past five calendar years, the average FirstHome loan demand has approximated 1,350 loans per year representing approximately \$95,000,000. I expect our annual loan volume over the next couple of years will average about \$120,000,000 per year as a result of increased home acquisition cost limits and a continuous supply of funds availability.

The FirstHome loan program is funded through the issuance of Mortgage Revenue Bonds. The interest we pay bond investors is exempt from both federal and state income tax. The investors require a lower interest rate which is passed on to the benefit of our borrowers. We try to maintain a minimum of ½ of 1% rate below the conventional interest rate markets. Through the use of unique bond structuring, including variable rate bonds, we have developed a means of offering reduced interest rate lending programs. These innovative bond structures have enabled interest rate reductions during general interest rate market fluctuations, a zero interest rate funding for Habitat for Humanity home loans, and reduced interest rate programs for targeted lower income borrowers.



During the past two years, interest rates in general have declined steadily to low levels not seen in nearly 40 years. During this two year period, the Agency has experienced mortgage loan pre-payments in excess of \$250,000,000, which is about one-third of the total mortgage loans outstanding on January 1, 2003. These loan prepayments result in increased expense to the Agency as capitalized bond financing costs which are amortized over the life of the bonds must be accelerated in line with the bonds retirement. In light of this increased financial stress on the Agency's bond resolution, Moody's Investors Service has continued our bond resolution rating of Aa2.

The HFA administers the Low Income Housing Tax Credit created by the U.S. Congress in 1986 which is an incentive for the development of rental housing for low income occupants and currently is the only viable production program available for the creation of affordable rental housing. Through a competitive process, the HFA allocates the annual tax credit authority to project applicants and is required to perform compliance monitoring regarding program requirements for the total compliance period which extends out to 30 years. To date, over 4,000 units have been developed or are being developed utilizing the tax credit. These affordable housing rental units are located in 38 cities across the state. Three North Dakota Indian Reservations have projects utilizing the tax credits.

The HFA's largest appropriated funds activity involves the administration of federally funded U.S. Department of Housing & Urban Development (HUD) housing programs. Total disbursements for grants is projected at \$26,591,280 of which \$24,771,280 is for rental assistance for the benefit of over 4,000 very low income tenants in 164 projects located throughout the state which were originally developed through the HUD Section 8 New Construction/Substantial Rehabilitation or Moderate Rehabilitation Programs. These properties were developed and owned by the private sector or non-profit organizations beginning in the late 1970's and early 1980's. \$1,050,000 is projected for the HFA's DCA and HARP Programs (see Program Summary information) from HUD HOME or recycled program funds. \$770,000 in appropriated grant funds are budgeted for the HFA's Helping HAND and Homebuyer Education Programs (HomeSmart) funded from HFA net operating revenues. The HFA has been instrumental in obtaining grant funds to facilitate a Homebuyer Education Task Force in establishing homebuyer education programs across the state, primarily through community action agencies. Helping HAND grants are awarded to Habitat for Humanity chapters, community action agencies, and tribal governments to address local unmet low income housing needs.

Included in the appropriated grants amount is the remaining \$100,000 of the Agency's four year \$300,000 commitment to the Mountain Plains Equity Group (MPEG). This equity fund was organized by the three states of Montana, Wyoming, and North Dakota for the purpose of investing in affordable rental housing properties developed in the tri-state area utilizing the Low Income Housing Tax Credit. The equity fund became operational in 2004 and is presently securing equity investors and is reviewing properties for fund investment.

Since the inception of the Housing Finance Agency, the HFA and Industrial Commission have frequently relied on Section 4 of the Appropriations Bill, which appropriates any additional or unanticipated funds, which may become available to the HFA during the biennium. The most recent example of reliance upon this section is that the HFA applied to the U.S. Department of Housing and Urban Development for a grant for homebuyer education and counseling. We recently received notification of the grant award and will be requesting the funds which subsequently we will distribute to community action agencies and municipalities across the state to be used for the intended purposes.

Section 8 of the bill provides a transfer of \$59,602 during the biennium from the Housing Finance Agency to the Industrial Commission for the purpose of defraying Industrial Commission administrative costs.

Another Strategic Plan objective was to increase our education and marketing efforts. As part of this objective, the HFA is in the final stages of producing a video, which will be distributed to our various housing partners (i.e., lenders, realtors, property managers) for their use in training their employees and enabling our future clients to be more aware and better informed.

Early in the current biennium, the Agency and Industrial Commission adopted a new Strategic Plan for the HFA. A major element of this new plan called for a Statewide Housing Needs Assessment. The HFA, in partnership with the Department of Commerce, Division of Community Services, and other housing interests commissioned a study to be done by the NDSU Data Center. This project was completed this past month and is being released for public consumption at the present time. The full report may be viewed through the Agency website at www.ndhfa.org. As a part of this project, a permanent website which contains the report and accompanying tables will be maintained and updated annually by the NDSU Data Center through a financial commitment by the NDHFA. This information regarding housing supply and demand is intended to be utilized by municipalities, governmental agencies, and the private sector in identifying housing needs across the state. Recognizing that the state's population and demographics are changing (i.e., an aging population), this factor alone suggests many housing challenges and opportunities for the HFA and its housing partners to address. I would expect the HFA's resources, both personnel and financial, will be called upon during the next biennium to begin addressing the challenges of North Dakota's future.

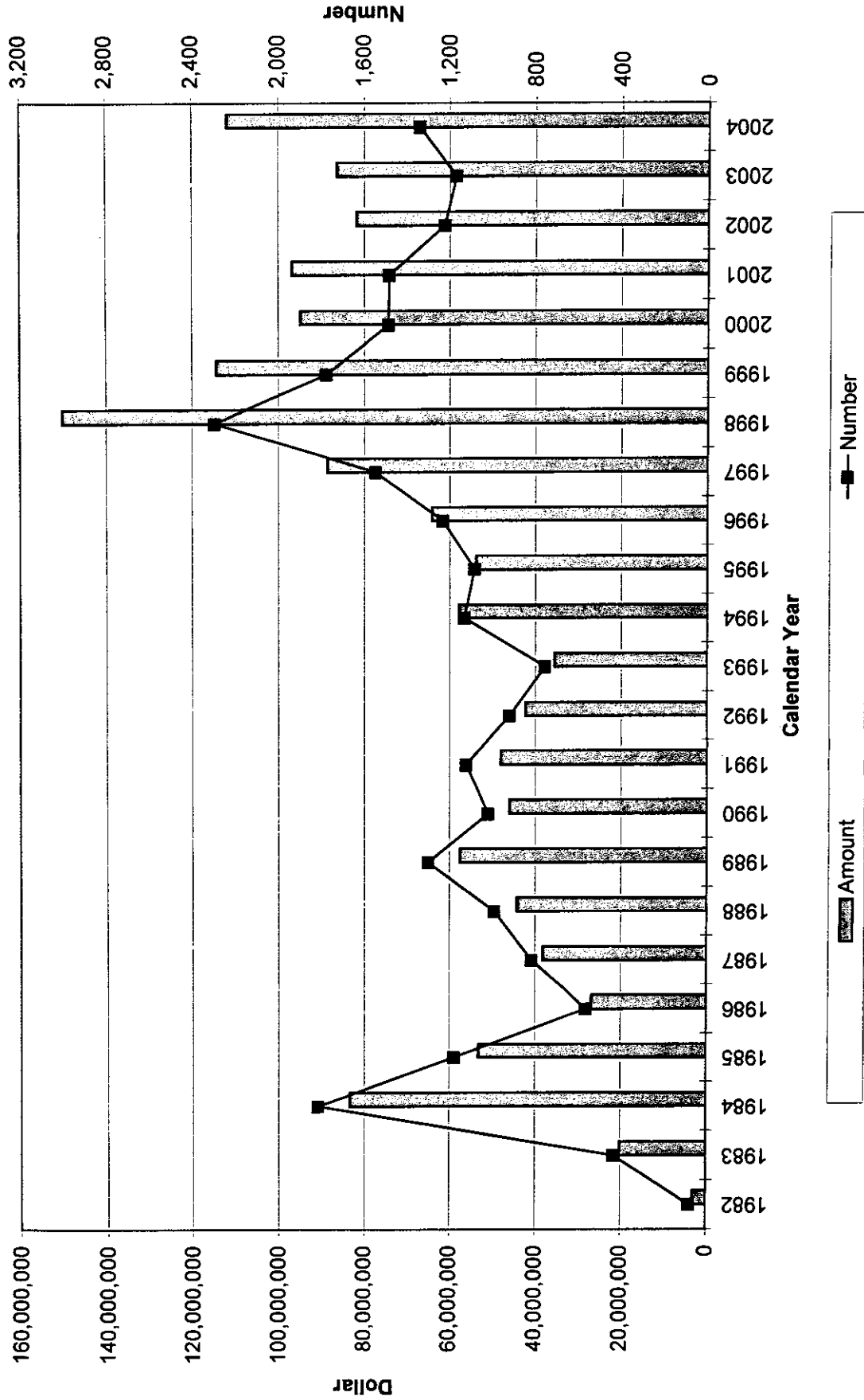
As I stated at the outset, this budget provides for zero increase in the 43 FTE presently authorized for the HFA. I believe you will agree that the HFA has a well-established reputation of employing sufficient personnel only to the extent that staffing is needed to fulfill our responsibilities under administrative contracts and/or our bond resolutions. At present, there are three unutilized FTE's within the current 43 authorized positions. I would expect that increased program activity/workload will require the utilization of at least one FTE during the upcoming biennium. As I have already announced my retirement during 2005, this budget provides some flexibility for the HFA's Advisory Board and Industrial Commission to consider a Deputy Director and a Finance Officer position, both of which I have recommended they seriously consider. The HFA has grown in both size and complexity to the degree that these positions are now needed and should be utilized.

I must emphasize the Housing Finance Agency is not a state General Fund agency. The HFA operates very efficiently solely on the revenues generated from the administration of the various housing programs. We don't hire until needed, but need flexibility. The HFA operates similar to a profit-motivated business in order to produce net revenues and to fund the credit requirements of our financing programs. HFA financial reserves are utilized to provide a credit enhancement to the bond issues which fund the HFA's lending programs. Immediately following the 1997 flood, our Moody's Aa3 bond rating was threatened. However, Moody's removed the HFA's bonds from their credit watch list as a result of negotiations and specialized reporting procedures. Early in 2002, Moody's upgraded our bond rating to Aa2 and provided an "Issuer" rating of A2.

The six-member HFA Advisory Board, comprised of housing industry representatives, meets monthly and provides invaluable information and recommendations for the Agency and Industrial Commission regarding HFA programming.

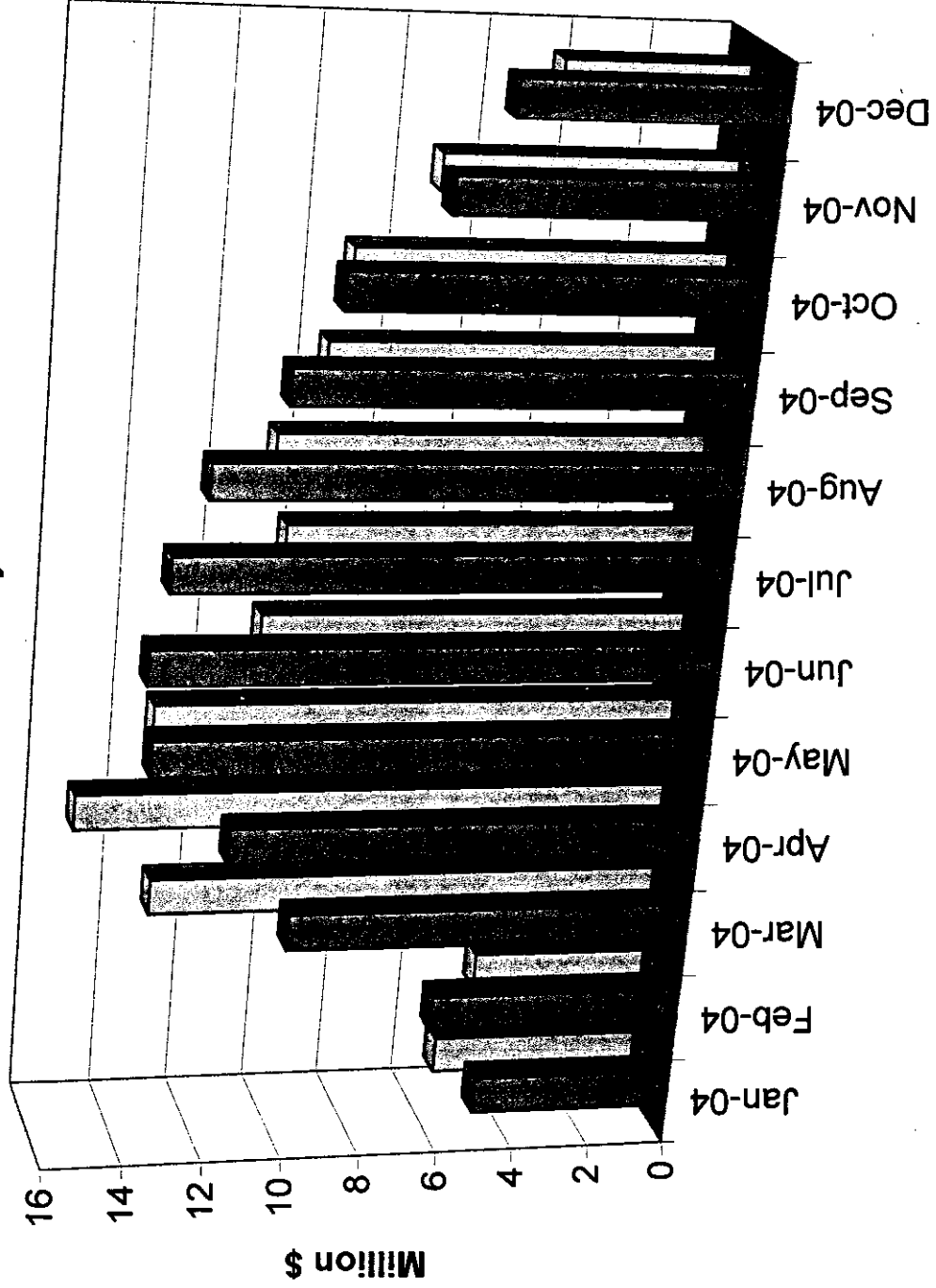
In summary, the HFA is North Dakota's housing finance agency providing affordable residential real estate financing and housing assistance to literally thousands of North Dakotans with our local partners solely through Special Funds and at no cost to the state's General Fund.

North Dakota Housing Finance Agency Annual Loan Purchases

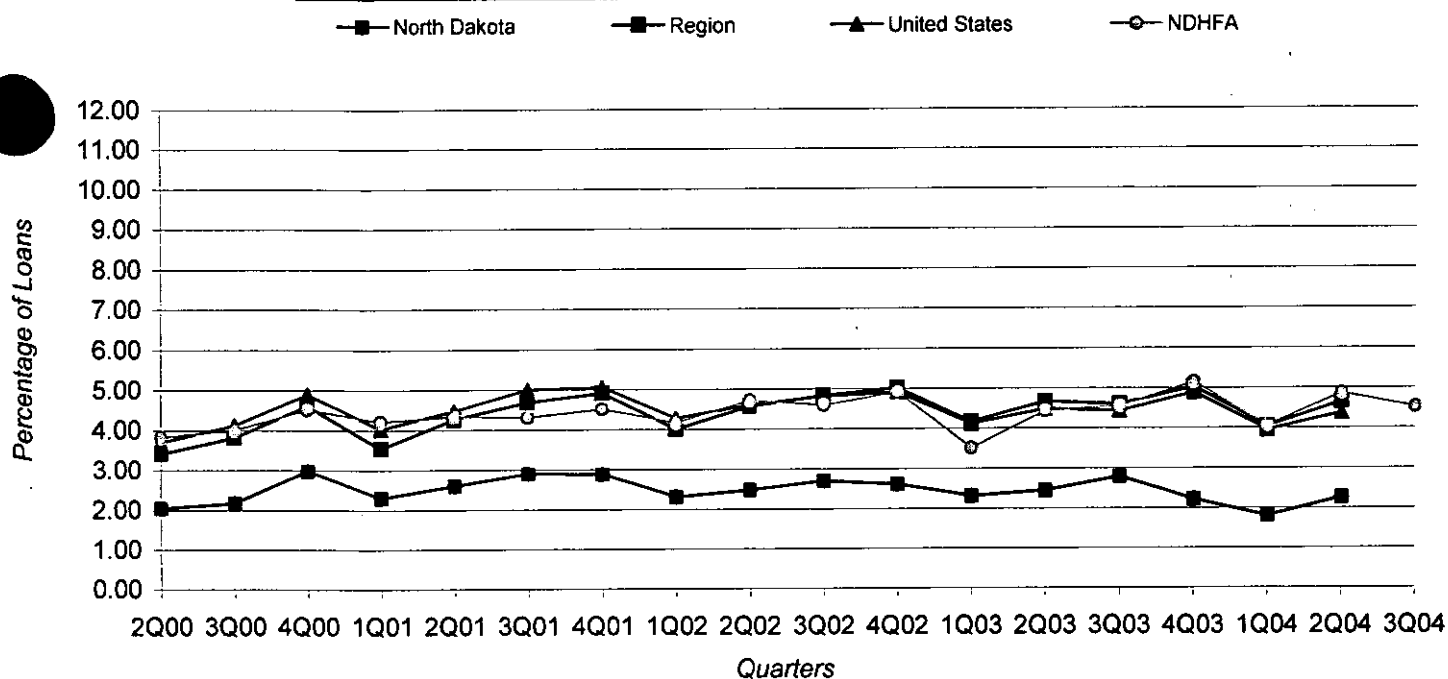


2004 Standard Loan Demand

Actual vs Projected



Delinquency - All Loans - NDHFA Serviced



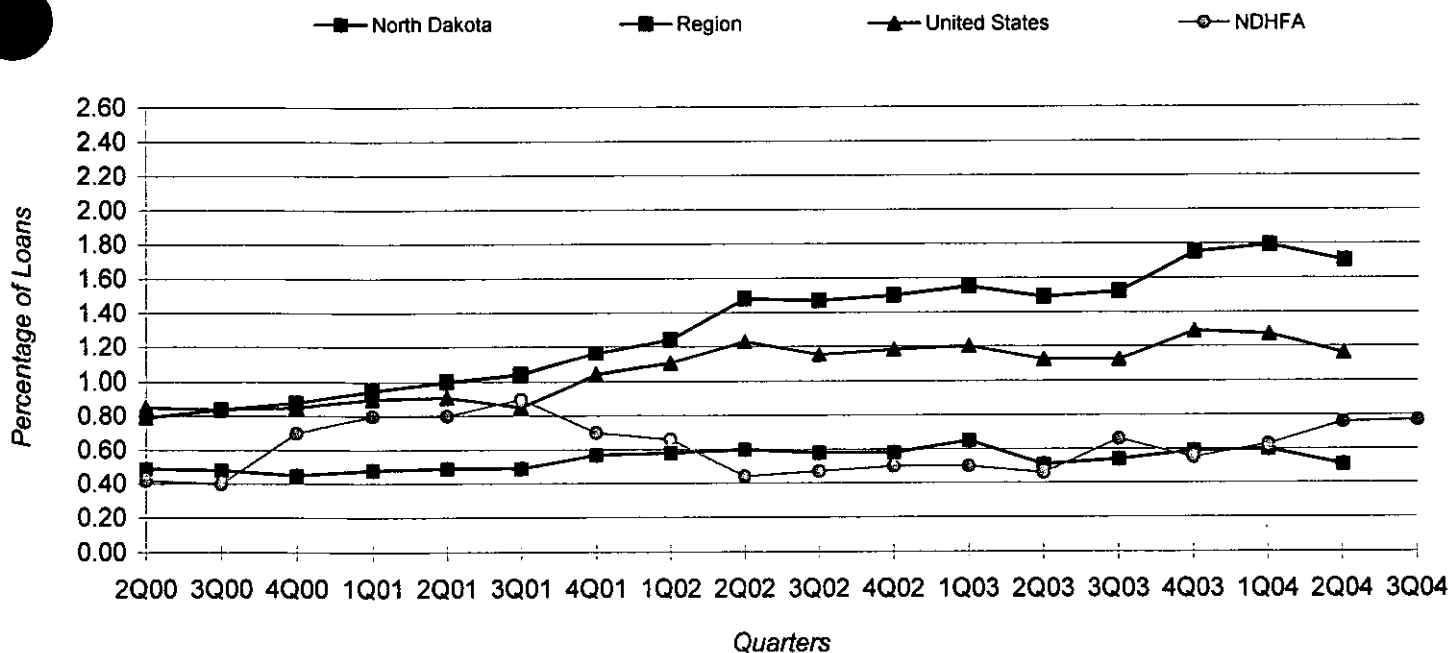
June 30, 2002

6887 Serviced

Delinquent
In Foreclosure

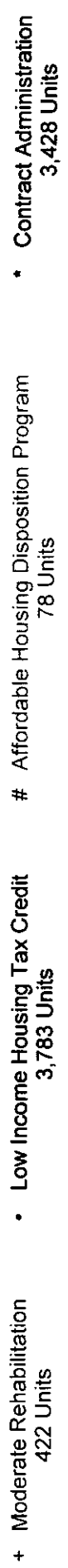
311
53

Foreclosure - All Loans - NDHFA Serviced





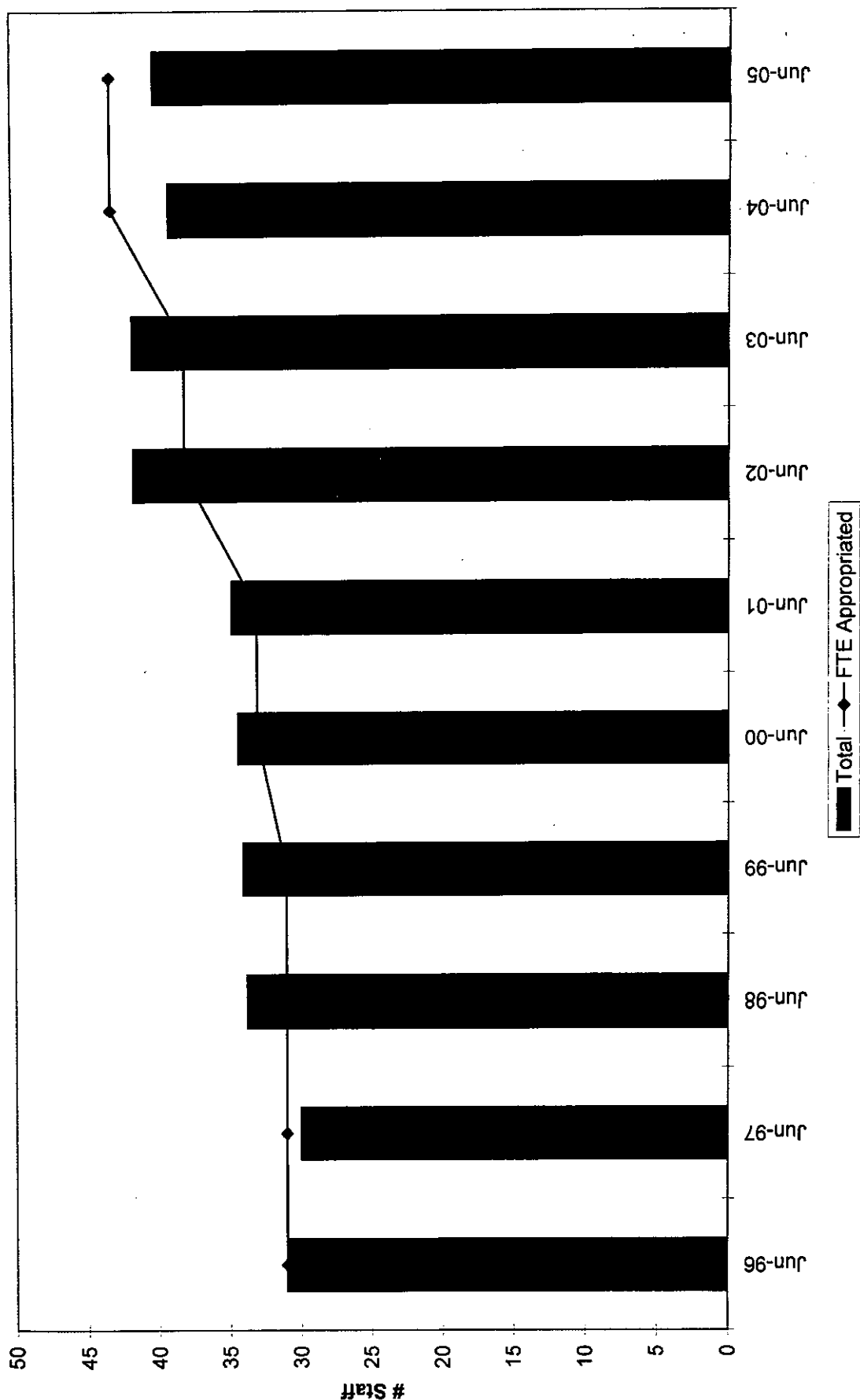
Rental Programs



Location of Rental Housing Units as of December 31, 2004

FTE Summary Chart 5

NDHFA Staffing





North Dakota Housing Finance Agency Homeownership Programs

1500 East Capitol Ave
PO Box 1535
Bismarck, ND 58502
www.ndhfa.org

Phone: 701-328-8080
Fax: 701-328-8090
ND Toll Free:
800-292-8621
800-366-6888 (TTY)

HOMEOWNERSHIP PROGRAMS

HOME MORTGAGE FINANCE PROGRAM (HMFP)

Commonly known as the First-Time Homebuyer Program, this program provides low interest rate mortgages for North Dakota homebuyers. Participating North Dakota lenders originate the loans and sell them to NDHFA. The loans are either serviced by the participating lender or NDHFA. To qualify, applicants must not have owned a home in the past three years; meet income limits, which vary based on county and family size; meet normal credit underwriting standards; and intend to occupy the property as their principal residence. The purchase price of the property must be within program limits.

HOMEKEY PROGRAM

HomeKey provides a one percent reduction of the Home Mortgage Finance Program (HMFP) loan interest rate during the first three years of the mortgage loan. HomeKey is limited to HMFP borrowers with household income at 50 percent or less of the applicable HMFP income limit. Borrowers cannot have cash assets exceeding 10 percent of the purchase price. The purpose of the program is to enhance the purchasing power of lower-income households through reduced interest costs with an ultimate goal of expanding such households' participation in the HMFP.

RURAL REAL ESTATE MORTGAGE PROGRAM (RREM)

RREM is a secondary market for certain mortgage loans, other than those eligible for the HMFP, secured by residential real estate located in North Dakota and originated by North Dakota lenders. Eligible loans include the RHS Section 502 Guaranteed Loans and Direct Leveraged loans, as well as, the HUD Section 184 Indian Home Loan Guarantee Program. In some instances, income and purchase price limits apply and, in all cases, the property must be owner-occupied. RREM loans are purchased from participating lenders and are sold to Fannie Mae.

DOWNPAYMENT AND CLOSING COSTS ASSISTANCE PROGRAM (DCA)

DCA provides a zero interest rate deferred payment loan up to \$2,050 to assist first-time homebuyers with downpayment and closing costs. Applicants must be receiving a single family mortgage loan from NDHFA; have an annual income of 80 percent or less of the median income (adjusted for family size) for the county in which the property is located; and cannot have cash assets exceeding 10 percent of the purchase price of the home. The purchase price of the home cannot exceed the limits in effect at the time of purchase.

START PROGRAM

The Start Program provides first-time homebuyers with down payment assistance through a 10-year second mortgage loan at an interest rate of four percent per annum. The minimum loan amount is \$1,000 and the maximum loan amount is the lesser of three percent of the purchase price or \$3,000. Applicants must be receiving a Home Mortgage Finance Program (HMFP) loan. In addition to meeting the income and purchase price limits of the HMFP, borrowers cannot have cash assets exceeding 10 percent of the purchase price.

HOMEWORK PROGRAM

The HomeWork Program is a downpayment and closing cost assistance program provided to the employees of a participating employer in partnership with the North Dakota Housing Finance Agency (NDHFA). Assistance is in the form of a five year second mortgage loan at an interest rate of two percent per annum. The minimum loan amount is \$1,000 and maximum loan amount is \$5,000. The assistance levels are established by the participating employers.

HOMESMART PROGRAM

HomeSmart is a homebuyer education incentive program which helps first-time homebuyers prepare for home ownership. NDHFA borrowers, who have successfully completed an NDHFA approved homebuyer education program, receive a \$100 grant if they purchase a home with an NDHFA loan within 12 months of completing the course.

HOMEOWNERSHIP ACQUISITION AND REHABILITATION PROGRAM (HARP)

HARP is a cooperative program between NDHFA and the North Dakota Community Action Agencies. The agencies purchase and rehabilitate homes for resale to low income households. The goals are to increase homeownership opportunities for low-income households, provide education and counseling to prepare them for homeownership and improve neighborhoods by rehabilitating distressed properties.

COMMUNITYPARTNERS PROGRAM

CommunityPartners is a program to help local communities create new single-family homes or rehabilitate existing homes for households with lower incomes. A one percent reduction on the interest rate is offered for the first five years of the mortgage.

HABITAT FOR HUMANITY LOAN PURCHASE PROGRAM

The program creates a unique partnership whereby the Habitat for Humanity affiliate builds and sells a home to a selected family, a private lender finances the purchase of the home with a zero interest loan and NDHFA purchases the loan from the lender. The transaction provides the local Habitat affiliate with immediate return of the dollars invested in constructing the home, which can be immediately committed to building another home. The Habitat loans are serviced by NDHFA.



North Dakota Housing Finance Agency Rental and Grant Programs

1500 East Capitol Ave
PO Box 1535
Bismarck, ND 58502
www.ndhfa.org

Phone: 701-328-8080
Fax: 701-328-8090
ND Toll Free:
800-292-8621
800-366-6888 (TTY)

RENTAL PROGRAMS

LOW INCOME HOUSING TAX CREDITS (Housing Credits)

The Low Income Housing Tax Credit program provides incentives for the production and rehabilitation of affordable rental housing. This program allows owners who invest in low-income housing and accept income and rental restrictions to receive federal tax credits. Under this program, owners of low-income housing are entitled to receive an annual tax credit for up to 10 years based on various requirements such as the amount of capital invested and the level of commitment to low-income tenancy. In exchange for housing credits, owners must agree to rent the units to households whose incomes, based on HUD-published median income limits, qualify them as low-income. The housing credit program is designed to compensate the property owner for charging rents that are generally lower than would be feasible without the credits.

MODERATE REHABILITATION PROGRAM (Mod Rehab)

The HUD Section 8 Moderate Rehabilitation Program was designed for the renovation of existing substandard housing units, and it enables North Dakota's low income households to afford safe and decent housing through the use of rent subsidies. NDHFA's primary role is determining applicant eligibility and regulatory oversight of these low-income multifamily projects along with the distribution of HUD rental assistance funds.

CONTRACT ADMINISTRATION

NDHFA administers contracts for HUD project-based Section 8 housing developments located throughout North Dakota. Construction of these developments was completed in the late 1970's and early 1980's. NDHFA's primary role is the regulatory oversight of these low-income multifamily projects and the distribution of HUD rental assistance funds.

MARK-TO-MARKET RESTRUCTURING PROGRAM

The Mark-to-Market program objectives are to restructure the debt and HUD rental assistance of certain multifamily properties insured by FHA with three basic goals: 1) Social — to preserve the affordable housing stock; 2) Economic — to reduce the cost of Section 8 subsidies and minimize FHA claims; and 3) Administrative — to increase operating efficiency and ensure competent management with oversight delegated to a national network of decentralized Participating Administrative Entities (PAE). NDHFA is the PAE for North Dakota.

AFFORDABLE HOUSING DISPOSITION PROGRAM (AHDP)

NDHFA has agreed to monitor the Resolution Trust Corporation (RTC) properties sold under their Affordable Housing Disposition Program (AHDP) in North Dakota. Under the AHDP, the buyers of RTC properties agree to meet the affordability guideline established by the program which were designed to assure the property serves families in need of affordable housing.

NDHFA serves as the clearinghouse and technical assistance advisor to disseminate information about properties available in North Dakota. NDHFA also does compliance monitoring of properties sold with deed restrictions that must be maintained as affordable housing.

GRANT PROGRAMS

HELPING HOUSING ACROSS NORTH DAKOTA (Helping HAND)

This grant program provides local Habitat for Humanity chapters, tribal governments, and Community Action Agencies with a source of funds to assist in addressing critical housing needs of low-income individuals. Selection criteria is reviewed and updated annually.

RENTAL REHABILITATION ASSISTANCE PROGRAM (RRAP)

This grant program provides funds for property improvements to rental units that address the needs of people who have physical disabilities. Preference is given to rental housing organizations that address the physical requirements of Section 504 of the Rehabilitation Act of 1973, with improvements that benefit individuals participating in the North Dakota Department of Human Services Developmental Disabilities or Vocational Rehabilitation Division programs and have a dollar-for-dollar match. Non-profit organizations have priority over for-profit organizations.

All grant funds must be used to provide decent, safe and sanitary rental housing for very low-income residents.

NORTH DAKOTA HOUSING FINANCE AGENCY

The North Dakota Housing Finance Agency (NDHFA) is a public financial institution dedicated to making housing affordable for North Dakota's residents.

By providing financing, management, information, and other appropriate assistance, NDHFA facilitates affordable mortgage financing and assures the continued availability of low-income rental housing.

No state general funds are used in NDHFA programs, and the agency adheres to private sector business management practices. The Industrial Commission of North Dakota, consisting of the Governor, Attorney General and Agriculture Commissioner, oversees the agency with advice from a six-member citizen advisory board.

*Contract Date
State Dept*

NORTH DAKOTA STATEWIDE HOUSING NEEDS ASSESSMENT: 2004 - FINAL REPORT

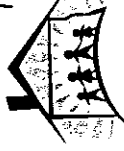
A detailed analysis to better understand housing needs in North Dakota



North Dakota State Data Center, North Dakota State University, IACC Building - Room 424,
PO Box 5636, Fargo, North Dakota 58105
Phone: (701) 231-8621
URL: <http://www.ndsu.edu/sdc>

Legislative Council has a copy

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Industrial
Commission
NORTH DAKOTA
STATEWIDE HOUSING
NEEDS ASSESSMENT
Fridley*



Prepared for:
North Dakota Housing Finance Agency
and
North Dakota Department of Commerce
Division of Community Services
in Bismarck, North Dakota

Prepared by:
North Dakota State Data Center
at North Dakota State University,
an Equal Opportunity Institution,
in Fargo, North Dakota

Dr. Richard Rathge, Director
Taufik Abidin
Ramona Danielson
Sarah Jensen
Jordyn Nikle
Karen Olson

Issued November 2004

Available online at:
<http://www.ndhfa.org>

**Senate Appropriations Committee
Testimony of Tim Porter
North Dakota Municipal Bond Bank**

same to House

For the record, my name is Tim Porter and I am the Executive Director of the Municipal Bond Bank. I am providing this testimony in support of the Industrial Commission's requested appropriation for the Municipal Bond Bank for the 2005-2007 biennium in the amount of \$555,862. The requested biennial appropriation is \$9,466 less than the current biennial appropriation. Minor adjustments have been made within several line items to reduce the budget from the 2003-2005 level and to more accurately reflect projected expenditures. The Municipal Bond Bank continues to benefit from efficiencies created when it co-located with the Bank of North Dakota in August of 2001.

The Municipal Bond Bank is a state agency that operates under the supervision and authority of the Industrial Commission. It is a self-supporting state agency and receives no money from the General Fund. The staff of the Municipal Bond Bank currently consists of 1.75 full-time state employees (FTE's). The Executive Director is considered .75 Municipal Bond Bank employee and .25 Bank of North Dakota employee. The Municipal Bond Bank also employs a full-time Business Manager.

In addition to administering all of its current programs, the Industrial Commission named the Municipal Bond Bank as the agency that will administer the lease-leaseback legislation (Senate Bill 2261) passed during the 2003 legislative session. There is also pending legislation to allow the Municipal Bond Bank to issue Industrial Revenue Bonds and the Municipal Bond Bank continues to work with the North Dakota Irrigation Caucus to develop a bonding program for irrigation districts. At this point, we are uncertain how the development of these programs will affect the Municipal Bond Bank's staffing needs. The current budget for the 2003-2005 biennium includes salaries for 2.75 FTE's. The vacant FTE within the current budget is for a loan officer position that would help analyze the loan applications and financial statements of potential borrowers under all of the Municipal Bond Bank's programs. Therefore, I ask that you consider allowing this vacant position for the 2005-2007 biennium while we assess the demand for our services under existing programs as well as the new programs mentioned above.

The written testimony below describes the Municipal Bond Bank and its financing programs. Also, a copy of the 2004 Annual Report for the Municipal Bond Bank has been included in the binder for your review. This Report describes in more detail the Municipal Bond Bank's programs and provides a complete history of all the Bond Bank's loans and bond issues.

Mission

To develop rural and urban North Dakota by providing political subdivisions and other qualifying organizations access to flexible and competitive financing options for their local qualifying projects.

The Municipal Bond Bank was established to make low-cost loans to North Dakota political subdivisions at favorable interest rates. Loans are made to political subdivisions by the Municipal Bond Bank through the purchase of municipal securities issued by the political subdivisions in accordance with state and federal law. Loans are primarily made with the proceeds of bonds issued by the Municipal Bond Bank under the programs described below. In certain instances, a direct loan may be made to a political subdivision from the Municipal Bond Bank's operating fund or from the federal grants or loan repayments held under the State Revolving Fund Program.

The municipal securities issued by a political subdivision to the Municipal Bond Bank may be either tax-exempt or taxable obligations. A political subdivision must retain bond counsel to assist in the preparation and adoption of its bond resolution and other necessary documents. The Municipal Bond Bank may purchase municipal securities only if the Attorney General issues an opinion that states the municipal securities are properly eligible for purchase under the North Dakota Century Code (N.D.C.C.) chapter 6-09.4, the Municipal Bond Bank Act.

Required Debt Service Reserve

Subsection 1 of §6-09.4-10 of the N.D.C.C. requires the Municipal Bond Bank to establish a debt service reserve in an aggregate amount equal to at least the largest amount of money required in the current or any succeeding calendar year for the payment of the principal of and interest on its outstanding bonds.

Subsection 4 of §6-09.4-10 of the N.D.C.C. of the N.D.C.C. provides as follows:

"In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the Legislative Assembly and paid to the Bond Bank for deposit in the reserve fund, such sum, if any, as shall be certified by the Industrial Commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve."

In the written opinion of the Attorney General, this provision does not constitute a legally enforceable obligation of the State. In the written opinion of the Municipal Bond Bank's bond counsel, there is no applicable provision of state law that would prohibit a future Legislative Assembly from appropriating any sum that is certified by the Industrial Commission as necessary to restore the reserve fund in an amount sufficient to meet the required debt service reserve amount. The legislative obligation imposed by the Legislative Assembly in subsection 4 of §6-09.4-10 is referred to as a moral obligation because the obligation to provide an appropriation for the Municipal Bond Bank's reserve fund is not backed by the full faith and credit of the State. All bonds issued by the Municipal Bond Bank under any of its programs are moral obligation bonds. Under any of the Municipal Bond Bank programs, there has never been the need to request an appropriation to cover a shortfall in a reserve fund.

Advisory Committee

The Industrial Commission, by policy, has established a Municipal Bond Bank Advisory Committee. The Committee is made up of three members appointed by the Commission. The Committee reviews each loan application for the purpose of making a recommendation

concerning the loan to the Industrial Commission, which must give its approval before a loan may be made under each Program. However, if the loan is for \$50,000 or less, the Committee may authorize the approval of the loan, then submit a report describing the loan and the action taken to the Commission at its next meeting.

At the present time, the Municipal Bond Bank has three loan programs: the Capital Financing Program, the State Revolving Fund Program, and the School Construction Financing Loan Program.

Capital Financing Program

The Capital Financing Program, established in 1990, makes loans to political subdivisions for any purpose for which political subdivisions are authorized to issue municipal securities, subject to certain statutory requirements. One such requirement is that the Municipal Bond Bank may not purchase municipal securities issued under N.D.C.C. chapter 40-57 (Municipal Industrial Development Act (MIDA) Bonds). The Bond Bank supports legislation currently under consideration that would allow it to purchase certain tax-exempt MIDA bonds.

Through December 31, 2004, the Municipal Bond Bank has made \$83,153,016 of loans to political subdivisions under the Capital Financing Program. The outstanding amount of Capital Financing Program bonds is \$24,647,621. Recognizing the strength of the State's moral obligation pledge, Standard and Poor's (S&P) has assigned a rating of "A-" to the Capital Financing Program Bonds.

State Revolving Fund Program

Under the State Revolving Fund (SRF) Program, federal capitalization grants are received by the State through the Health Department from the Environmental Protection Agency (EPA), and are deposited and held under the Program's Master Trust Indenture for the purpose of making below-market interest rate loans to political subdivisions for qualified projects and for other authorized purposes. The projects are subject to the approval by the State Health Department under appropriate state law and the Federal Clean Water Act and the Federal Safe Drinking Water Act. The federal capitalization grants are available to states on the basis of an 80-20 federal-state match. A portion of the SRF Program bonds issued by the Municipal Bond Bank provides the 20% state match. The federal capitalization grants must be held by the state in a revolving loan fund and are available only for purposes authorized under the Federal Clean Water Act and the Federal Safe Drinking Water Act.

The SRF Program consists of a Clean Water SRF Program and a Drinking Water SRF Program. Federal capitalization grants for the Clean Water SRF Program were first appropriated to the State in 1989. Since that time, \$95,790,000 of federal capitalization grants under the Clean Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2004. Through December 31, 2004, 133 loans totaling \$149,974,402 have been approved under the Clean Water SRF Program. The Health Department's Clean Water Intended Use Plan for 2005 includes approximately \$70,000,000 of potential projects.

Federal capitalization grants for the Drinking Water SRF Program were first appropriated to the State in 1997. Since that time, \$50,742,500 of federal capitalization grants under the Drinking

Water SRF Program have been appropriated and awarded to the State through federal fiscal year 2004. Through December 31, 2004, 37 loans totaling \$106,663,752 have been approved under the Drinking Water SRF Program. The Health Department's Drinking Water Intended Use Plan for 2005 includes approximately \$212,954,000 of potential projects.

A project must be on the appropriate Intended Use Plan to be able to apply for a loan under the SRF Program. The current interest rate on loans under the SRF Program is 2.5% with a 0.5% annual administrative fee on the outstanding balance. Bonds issued by the Municipal Bond Bank under the SRF program are rated "Aaa" by Moody's Investors Service, Inc. (Moody's), which is Moody's highest possible rating.

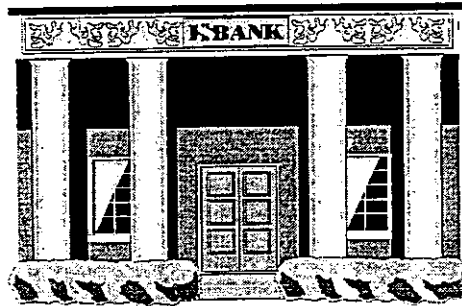
State School Construction Financing Program

The Municipal Bond Bank's State School Construction Financing Program provides loans to North Dakota school districts. This program has been assigned an "A+" rating by S&P, which allows the school districts, which generally do not have a credit rating, to borrow at lower interest rates. Bonds issued under this Program will be moral obligation bonds of the State and will also be supported by the state school aid intercept provision adopted by the Legislature in 1999. The state aid intercept provision is found in §6-09.4-23 of the N.D.C.C. A school district will be required to authorize the withholding of state school aid payments which are due and payable to the district under N.D.C.C. chapter 15-40.1 in order to participate in the Program. If a school district defaults on its loans under this Program, the Department of Public Instruction is notified by the Municipal Bond Bank to withhold aid payments to the defaulting school district until such time that principal and interest have been paid or satisfactory arrangements have been made to make the payment.

Annual Report

The Municipal Bond Bank submits its Annual Report to the Legislative Council each year. The Annual Report provides a complete list of all loans made and bonds issued by the Municipal Bond Bank since its inception in 1975.

NORTH DAKOTA MUNICIPAL BOND BANK



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2004
ANNUAL REPORT



*Same given
to the House*

Senate Bill 2014
Senate Appropriations Committee

Testimony of
Edward C. Murphy
Acting State Geologist
North Dakota Geological Survey

Responsibilities of the North Dakota Geological Survey

NDCC 54-17.4-02. Survey Responsibilities. There is created a North Dakota Geological Survey. The Survey has the following responsibilities:

1. **Serve as the primary source of geological information in the state.**
2. **Investigate, describe, and interpret the geological setting of the state with special reference to the economic products, geological hazards, and energy resources of the state's geology.**
3. Conduct investigations designed to promote public understanding of the state's natural setting and natural resources.
4. **Conduct research relative to the exploration, production, and regulation of oil, gas, coal, and other mineral resources of the state.**
5. Conduct investigations and review externally prepared reports pertaining to geological aspects of the health and safety of the citizens and environment of the state.
6. Provide geological information contributing to the development of public health policies and to the use and management of natural resources.
7. Publish bulletins, circulars, maps, and other related materials that make available the results of the geological research and technical studies.
8. **Provide educational information about the geology of the state to the public.**
9. Operate and maintain a public repository for books, reports, maps, and other publications regarding the geology and mineral resources of the state.
10. **Operate and maintain a public repository for fossil and rock specimens, rock cores, well**

cuttings, and associated data.

- 11. Provide technical advice and assistance concerning the geology of the state to local, state, and federal governmental agencies and to state educational institutions.**
- 12. Aid in the regulation of the state's natural resources by providing the resource assessment and evaluation information necessary to create and maintain effective regulatory policy.**
13. Investigate the kind, amount, and availability of the various mineral substances contained in state owned lands, so as to contribute to the most effective and beneficial administration of these lands for the state.
14. Consider such other scientific and economic questions in the field of geology as in the judgment of the state geologist is deemed of value to the people of the state.
15. Carry out any other responsibilities assigned to it by the legislative assembly.
16. Cooperate with other agencies in maintaining a global positioning system community base station and make data gathered by the station available to the public.

The responsibilities or mission of the North Dakota Geological Survey can be grouped into three main categories:

- 1) Investigations**
- 2) Service and Outreach**
- 3) Regulatory Programs.**

Agency Interaction

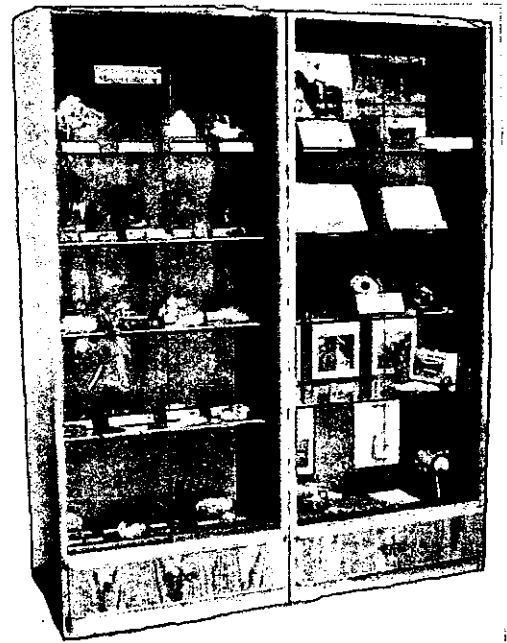
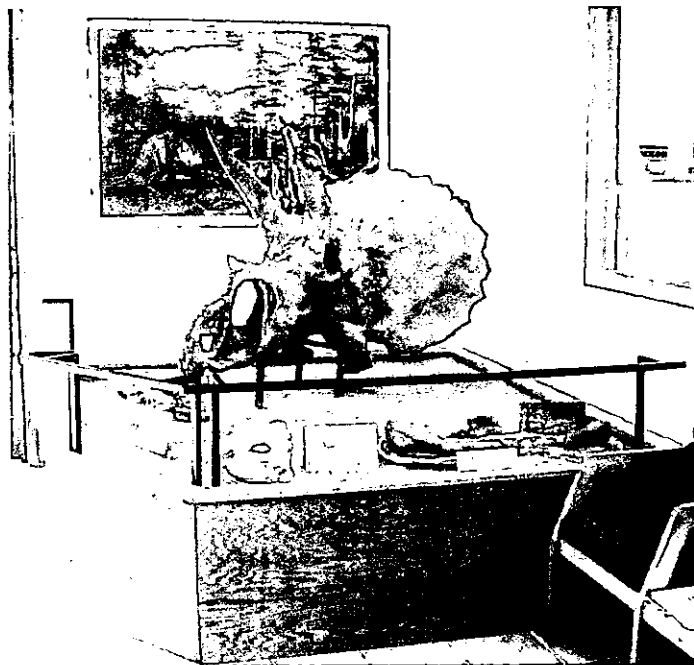
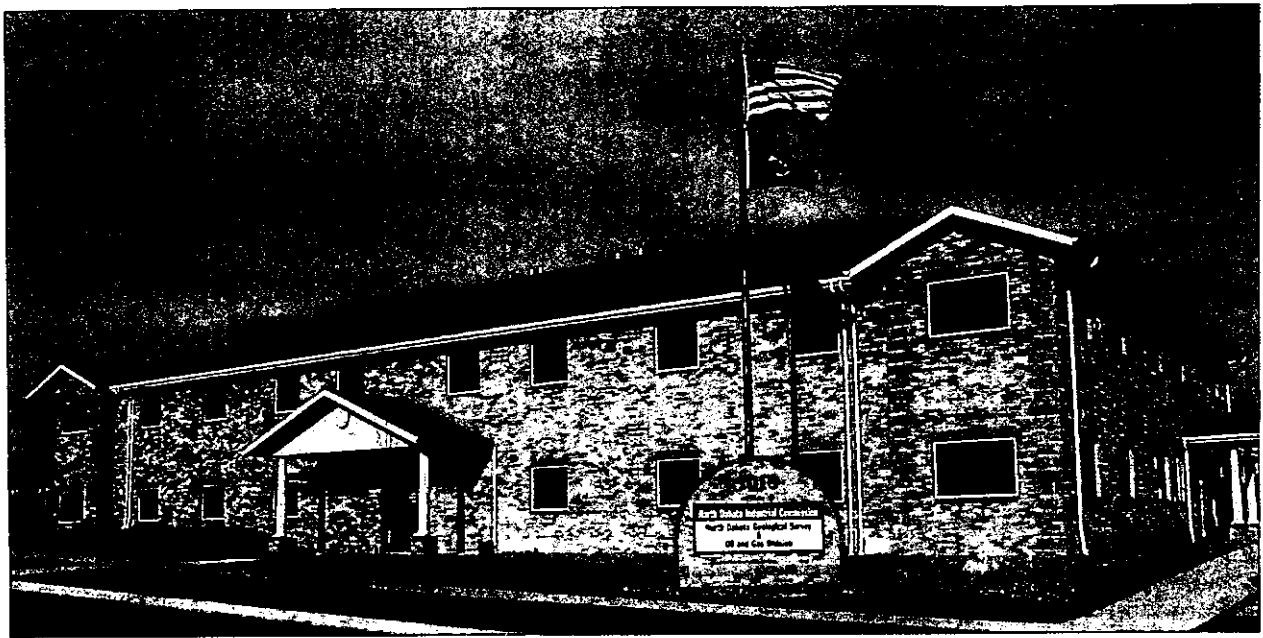
We review the geologic site suitability of waste permit applications for the ND Health Department and coal mining permits for the ND Public Service Commission. The Geological Survey reviews the geologic suitability of highway projects, and the corridors for pipelines and transmission lines for ND Department of Transportation and ND Public Service Commission. We provide a number of services for the ND State Land Department including the evaluation of oil and gas, coal, and other mineral resources, as well as an inventory of paleontological resources, on state lands. We also evaluate the potential for drainage of oil and gas from beneath state lands into adjacent leases.

We work closely with the ND Oil&Gas Division on oil well core and sample acquisition and the agencies are cooperating on several projects.

The Geological Survey routinely provides geologic information to the ND Emergency Management, ND State Water Commission, State Historical Society of North Dakota, ND Parks and Recreation Department, the North Dakota university system, ND Department of Agriculture, ND Tax Department, and the Tourism and Economic Development and Finance Divisions of the ND Department of Commerce, as well as the US Geological Survey, US Forest Service, US Bureau of Land Management, US Bureau of Reclamation, US Natural Resources Conservation Service, and US Army Corps of Engineers.

North Dakota Geological Survey

NORTH DAKOTA GEOLOGICAL SURVEY



The North Dakota Geological Survey and North Dakota Oil and Gas Division are located at 1016 East Calgary Avenue in Bismarck. A 65 million year old *Triceratops* skull, as well as seven display cabinets containing rock, mineral, and fossil specimens from North Dakota, are on exhibit in the lobby. The Survey also has office and laboratory space in the North Dakota Heritage Center in Bismarck and at the Core and Sample Library on the campus of the University of North Dakota.

Regulatory Programs

Coal Exploration Program

- This program regulates exploration of coal outside of active coal mines.
- Holes are field inspected for proper plugging and site reclamation.
- Basic data (logs, analysis, etc.) filed with the Geological Survey.
- Four permits have been issued this biennium, companies drilled approximately 900 holes.
- 459 permits issued since 1975.
- 30,300 coal exploration holes drilled under this program.

Geothermal Energy Production

- This program regulates the installation of nonresidential shallow and deep, open-loop or closed-loop geothermal systems.
- Sites are inspected during system installation.
- 12 permits have been issued this biennium.
- 148 permits issued since 1984.

Exploration, Development, and Production of Subsurface Minerals

- This is a catch all program that enabled the state to regulate all minerals other than oil&gas, sand and gravel, and coal.
- Drill holes are inspected for proper plugging and site reclamation, production wells are monitored on a routine basis, basic data filed in our office.
- No permits have been issued this biennium.
- 28 permits issued since the program began in 1968 for salt, clay, and uranium.
- A total of 1,400 holes have been drilled under this program.

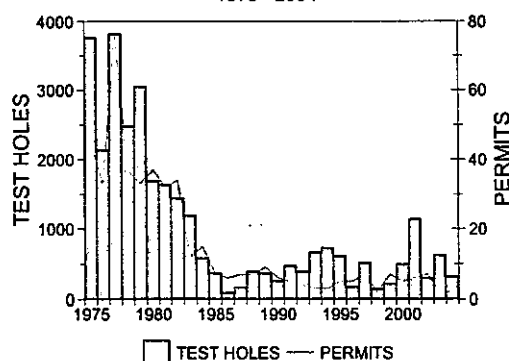
Paleontological Resource Protection

- The purpose of this program is to manage paleontological activities on state lands and political subdivisions.
- Activities are monitored in the field and fossils may be cataloged into the State Fossil Collection.
- Two permits have been issued this biennium
- 12 permits issued under this program since 1991.

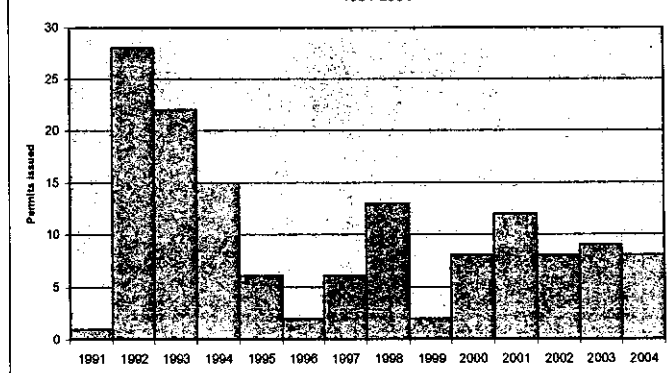
Underground Injection Control Class III Wells

- This program regulates solution mining of subsurface minerals in North Dakota.
- Class III wells would also require a subsurface mineral permit.
- No permits have been issued this biennium.
- Three permits have been issued since the program began in 1986.

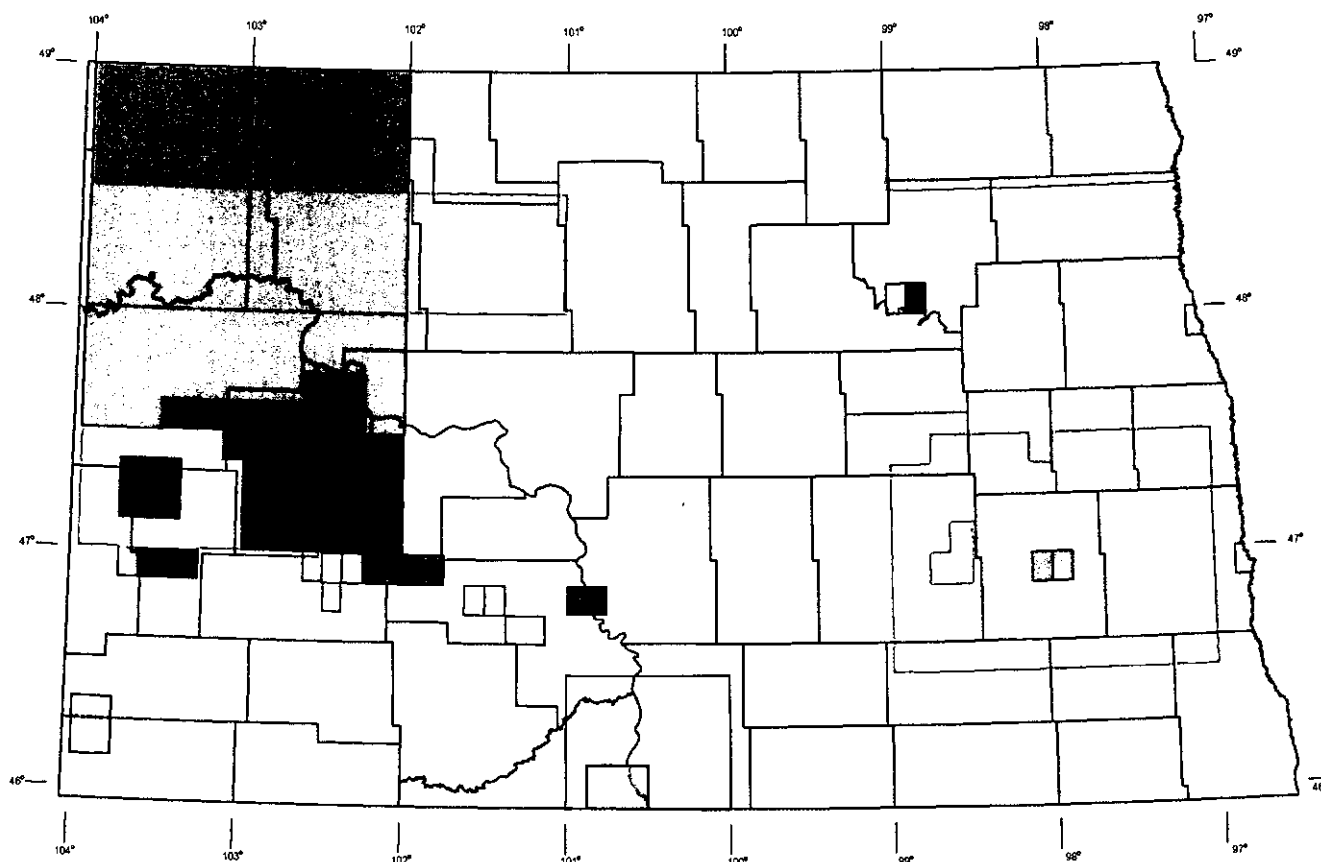
NORTH DAKOTA COAL EXPLORATION
1975 - 2004











GEOHERMAL EXTRACTION PERMITS
1994-2004



Mapping Program

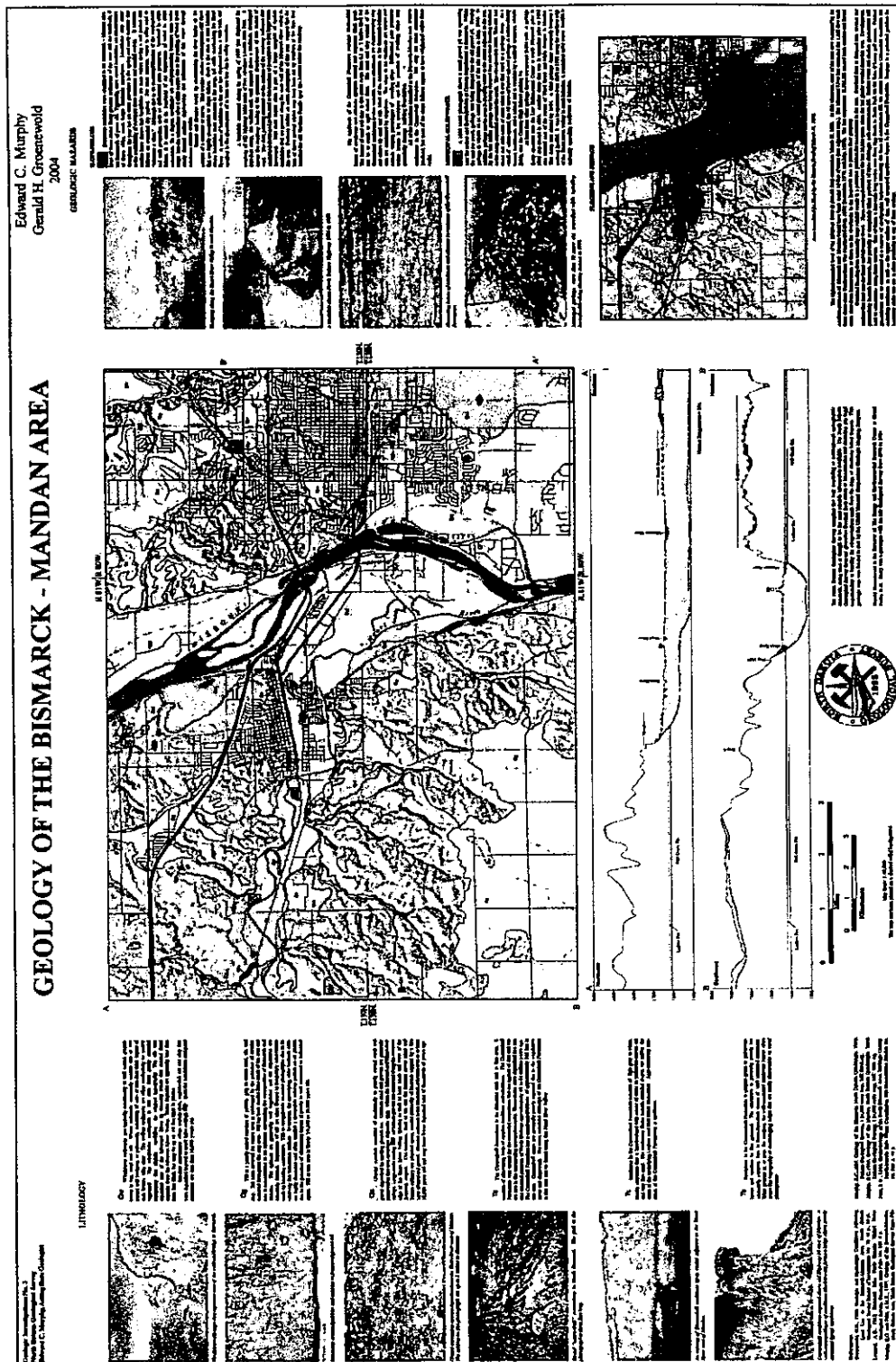


-  LANDSLIDE MAPS PUBLISHED - 162, 1:24,000 scale quadrangle maps completed.
-  LANDSLIDE MAPS TO BE COMPLETED 2005-2007 - 220, 1:24,000 scale quadrangle maps.
-  SUBSURFACE GEOLOGY MAPS - two, 1:100,000 scale sheets, approximately 140 derivatives.
-  GEOLOGIC MAPS PUBLISHED - 52, 1:24,000 scale quadrangle maps.
-  GEOLOGIC MAPS COMPLETED BUT NOT YET PUBLISHED - 105, 1:24,000 scale quadrangle maps.
-  GEOLOGIC MAPS IN PROGRESS (2004-2005) - 11, 1:24,000 scale quadrangle maps.
-  MINERAL MAPS (coal, volcanic ash) - 13, 1:24,000 scale quadrangle maps.
-  MAPS PUBLISHED DURING THE 2003-2005 BIENNium

There are 46, 1:100,000 scale map sheets and 1,464, 1:24,000 scale quadrangle maps covering North Dakota.

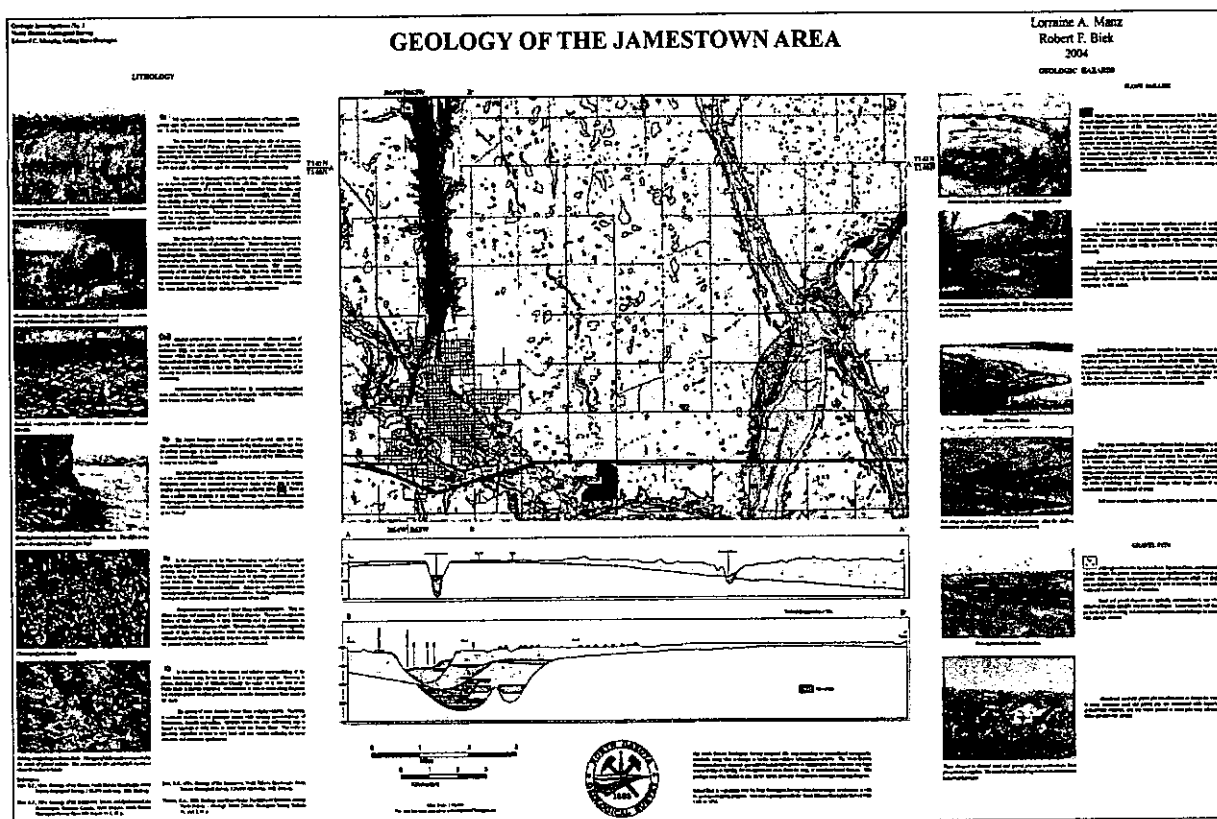
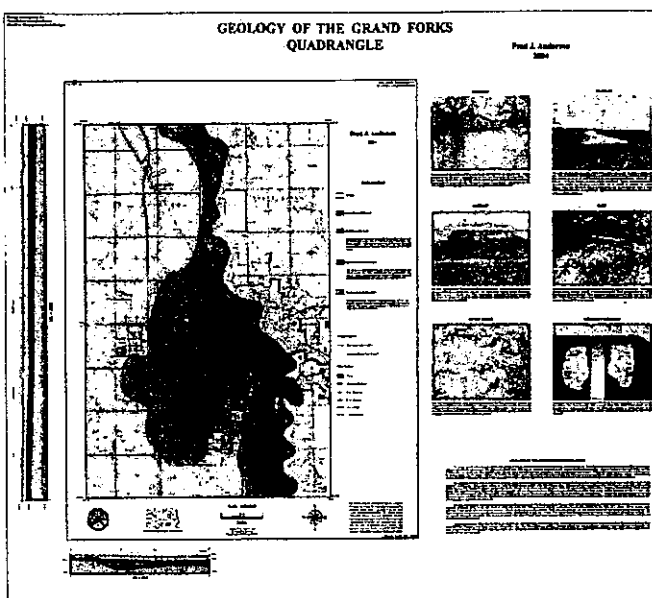
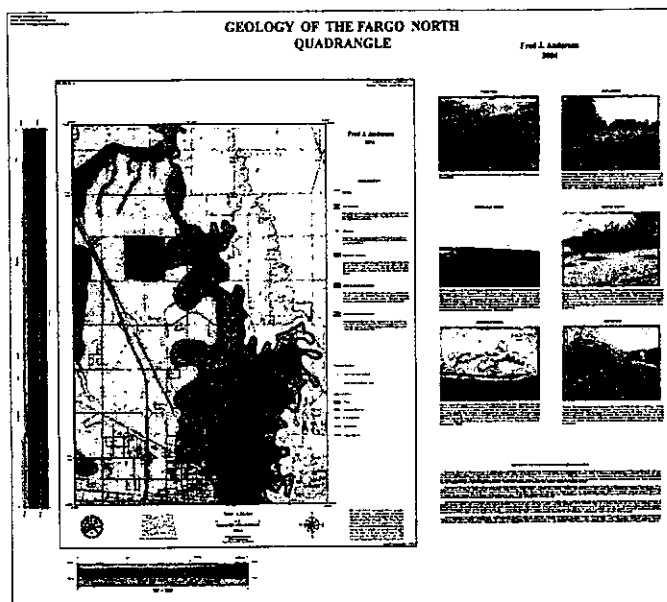
North Dakota Geological Survey

Mapping Program – URBAN MAPPING



This fall, the North Dakota Geological Survey published posters on the geology of the **Bismarck--Mandan, Fargo, and Jamestown** areas. These 24x36 inch posters were designed to assist developers, local and state governmental entities, and geotechnical consultants identify the geology in these urban settings.

Mapping Program – URBAN MAPPING



In addition to these posters, we are currently developing geologic posters for Dickinson, Devils Lake, and Grand Forks. We will begin mapping the geology in and around Minot next summer.

North Dakota Geological Survey

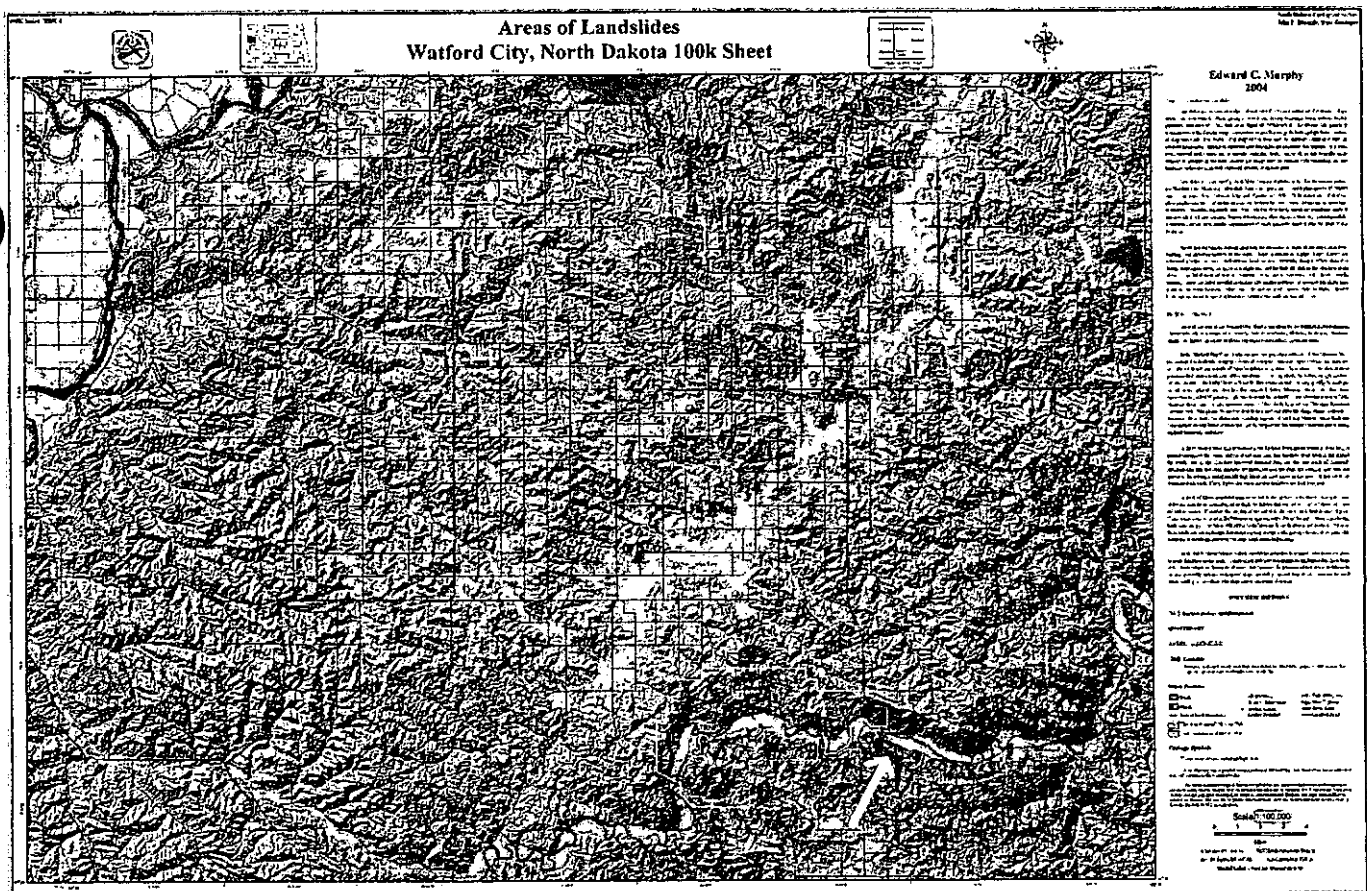
Mapping Program – Geologic Hazards



View of the collapsed **Fargo Grain Elevator** after glacial lake clays beneath the structure liquified in 1955. These clays pose construction problems throughout the Red River Valley. The ND Geological Survey is currently mapping in the **Fargo** and **Grand Forks** areas.



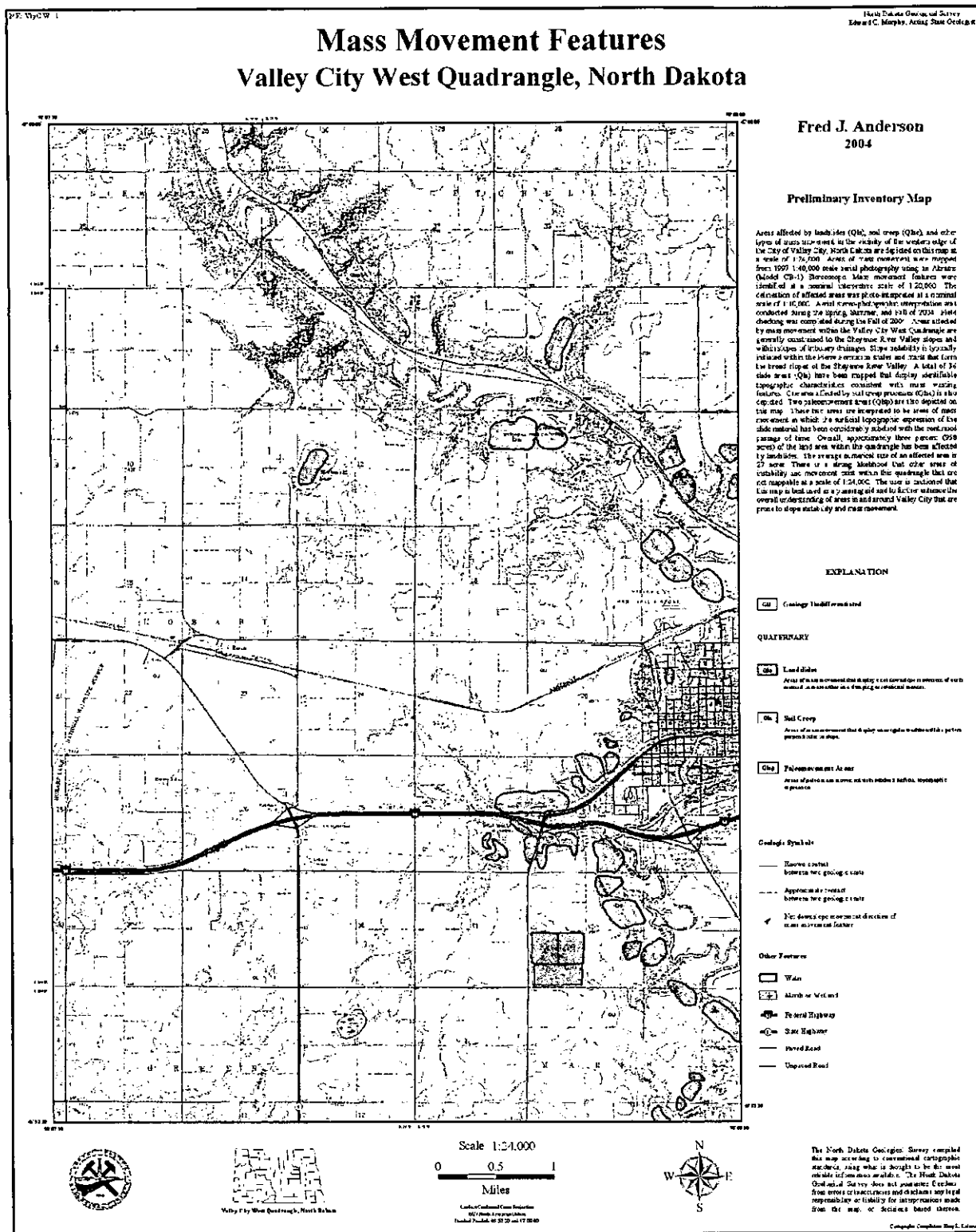
This landslide (arrow) closed **US Highway 85** for about one week during the fall of 2003. Vehicle traffic was detoured to ND Highways 200 and 22. Cost to repair the road and right away was 2.1 million dollars. The Geological Survey mapped landslides in this area in 2002 and we are mapping similar hazards around the state.



The Watford City 100K landslide sheet was published in 2004. Over 1,800 landslides (in pink) were identified on this map sheet. Landslides occupy 30 to 40% of the area in the Little Missouri River Valley making it extremely difficult to avoid hazard areas when crossing these valleys with roads, pipelines, buried cable, and power lines. The location of the recent Highway 85 landslide is marked with a yellow arrow.

North Dakota Geological Survey

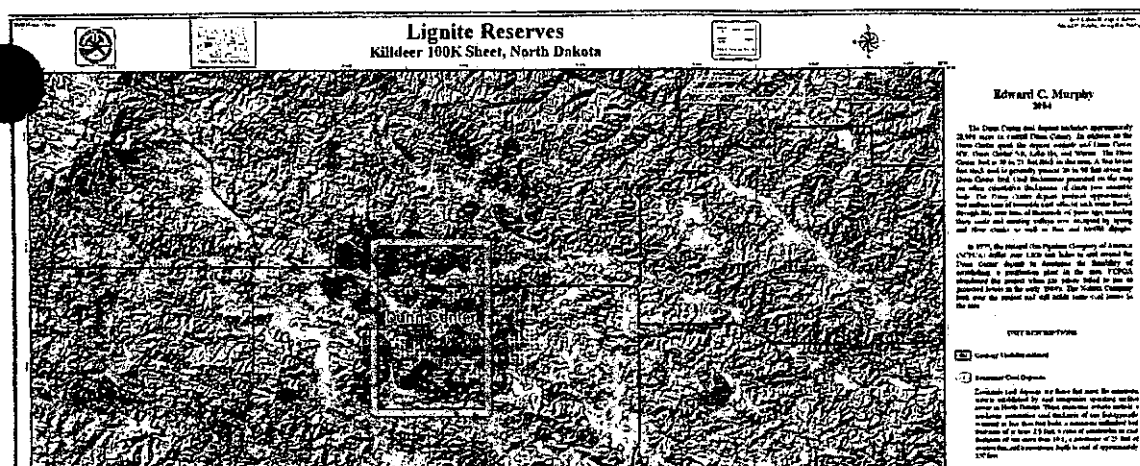
Mapping Program – Geologic Hazards



The North Dakota Geological Survey mapped landslides in the **Valley City** area this fall to help determine the environmental suitability of an inert landfill application we were reviewing for the ND Health Department. This is one of two maps in the Valley City area that we recently published. We are currently mapping landslides in the **Little Missouri Badlands**, the **Minot** area, the **Sheyenne River Valley**, and the Pembina Gorge near **Walhalla**.

North Dakota Geological Survey

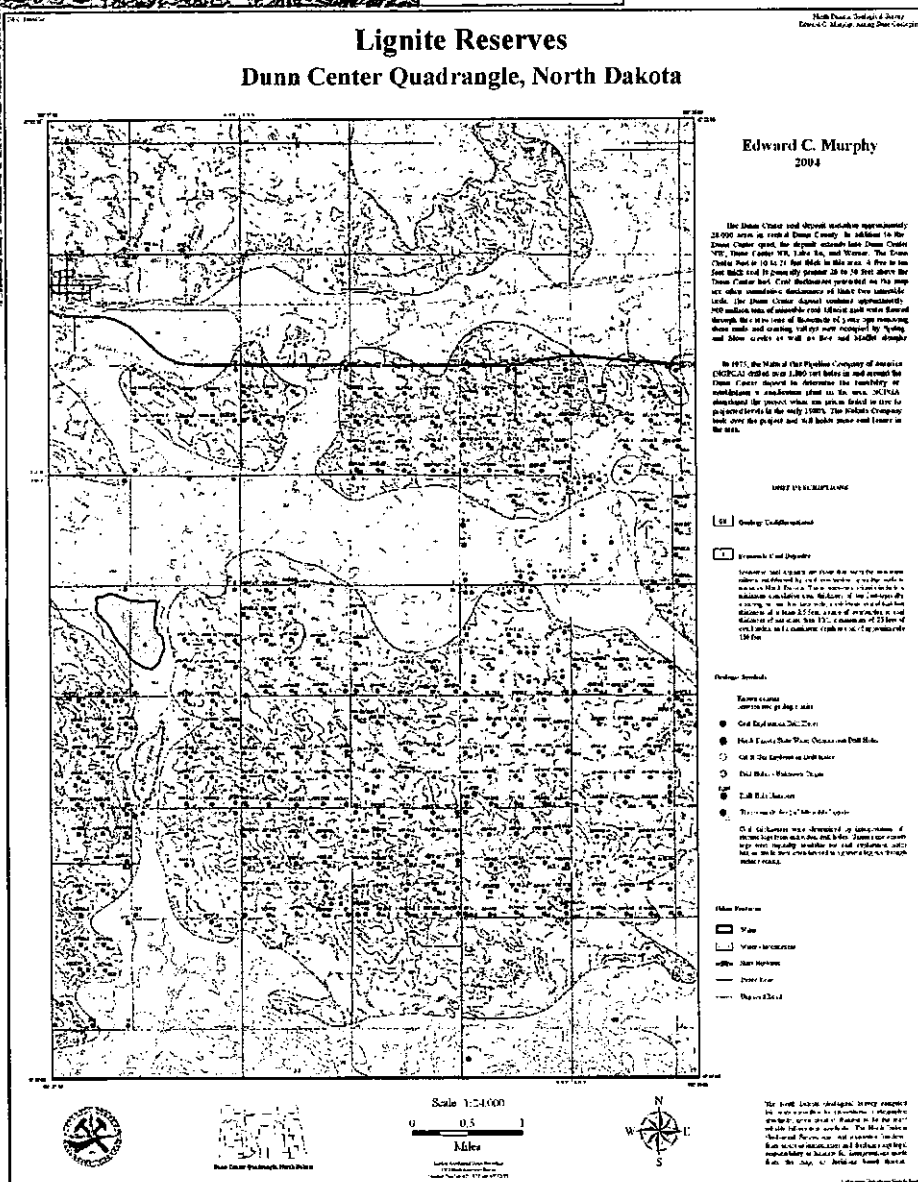
Mapping Program – Economic Minerals



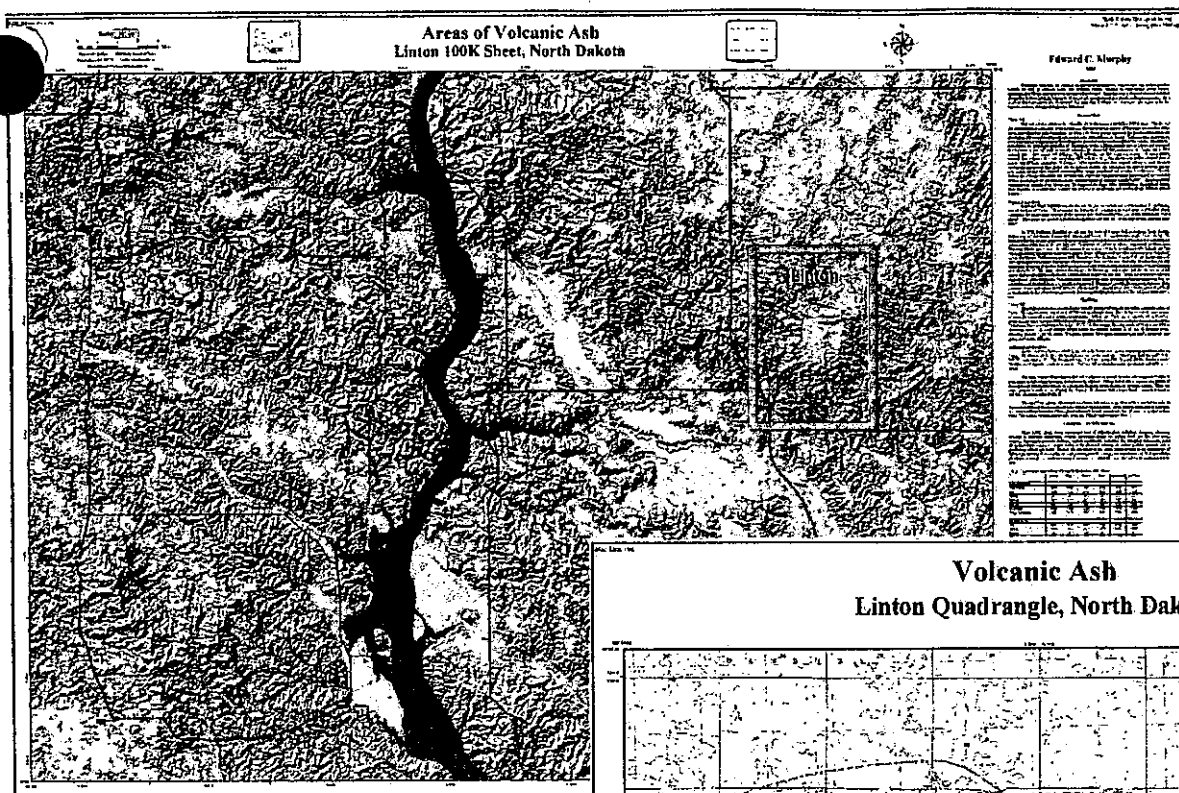
The mineable coal deposits (in brown) within the Killdeer 100k map sheet. The Dunn Center quadrangle (below) is outlined in pink on this map.

The Dunn Center quadrangle (to the right) is one of 32 quads that comprise the Killdeer 100k sheet. The mineable coal deposits are shown in brown and the black dots are drill holes. The cumulative thickness of mineable coal beds are displayed next to the drill holes.

This is one of five coal maps that was recently published by the North Dakota Geological Survey, there are 595 additional maps that are completed but have not yet been published.



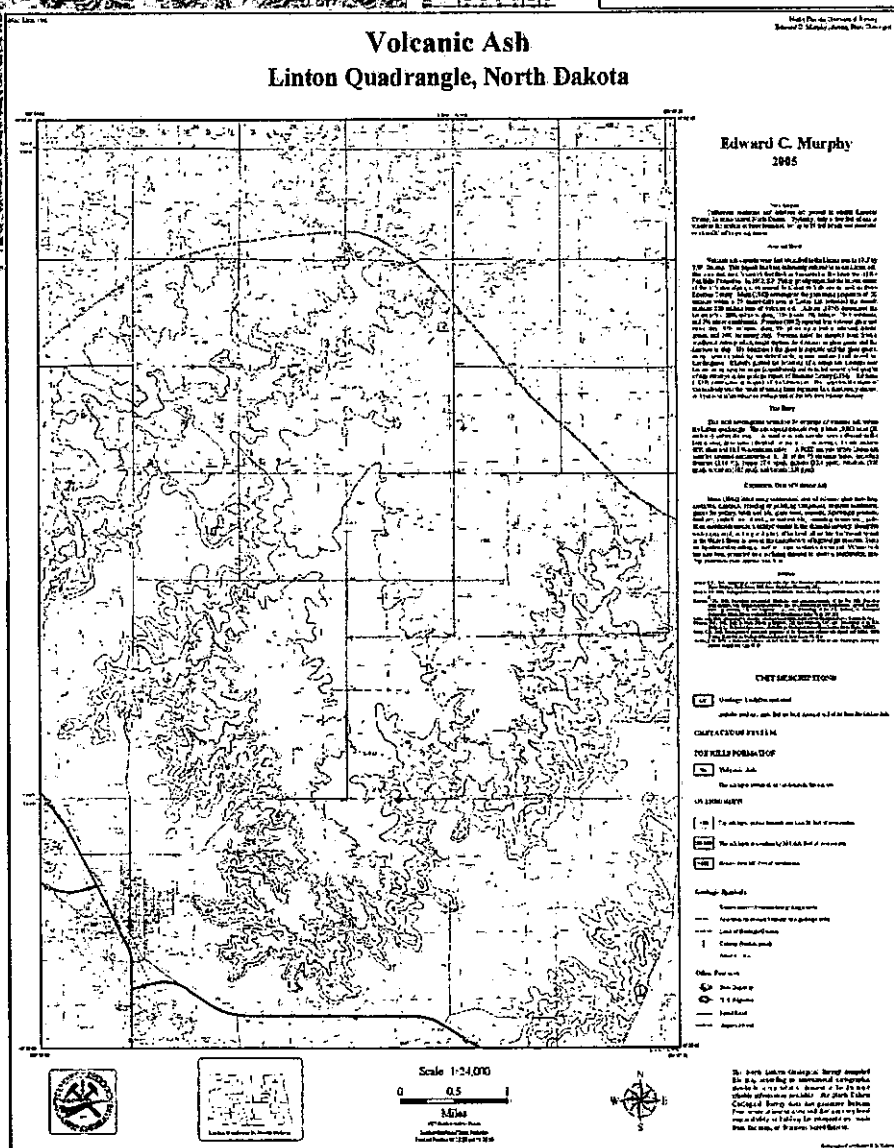
Mapping Program – Economic Minerals



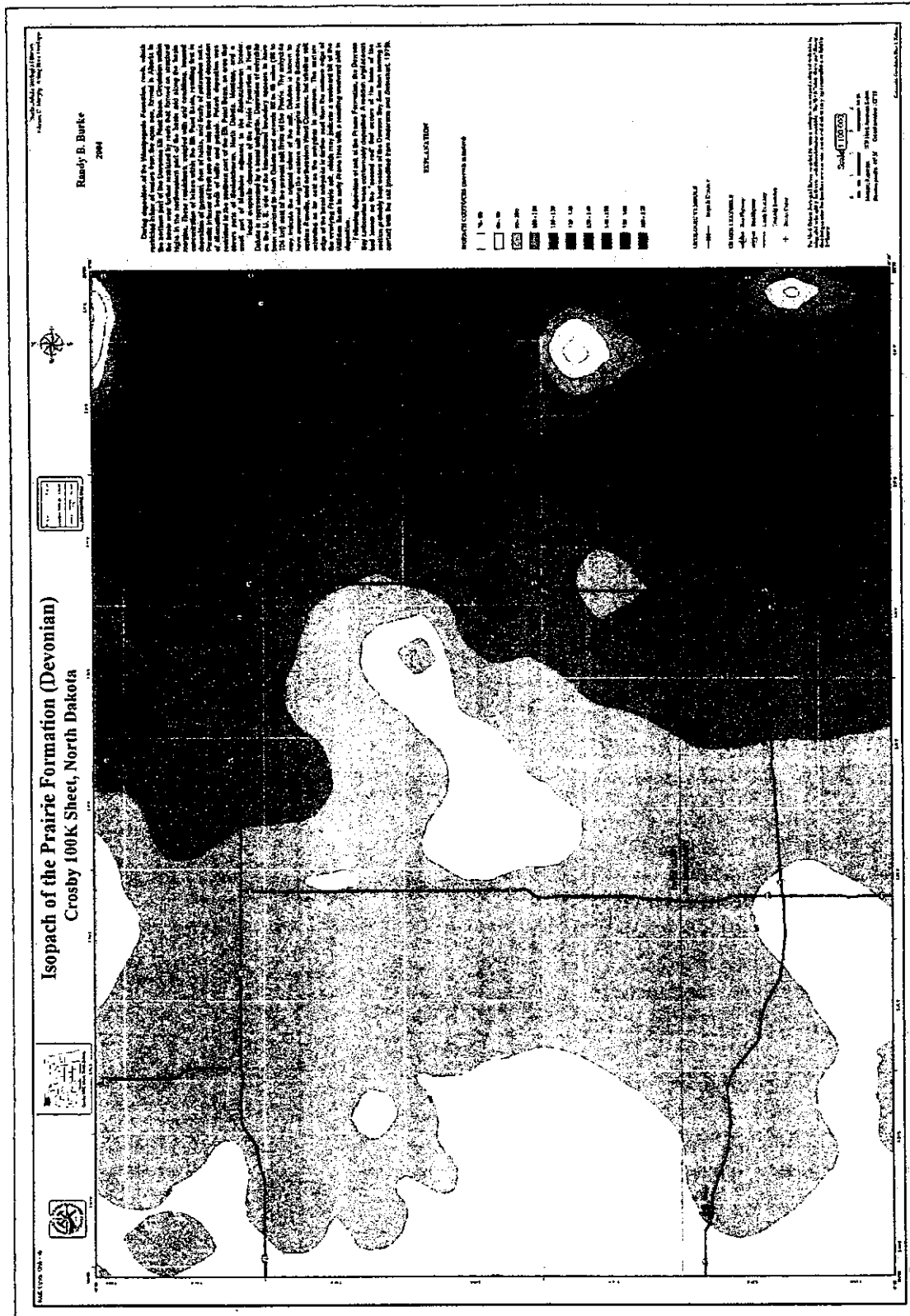
Outcrops of volcanic ash (green) within the Linton 100K map sheet. The Linton quadrangle is outlined in pink.

The Linton quadrangle is one of nine quads within the Linton 100K map sheet that were recently published by the North Dakota Geological Survey. The bright yellow color indicates where volcanic ash is present at the surface, the shift from tan to light green and then to dark green indicate increasing overburden.

The North Dakota Geological Survey mapped the volcanic ash deposits in south-central North Dakota in response to interest expressed by two out-of-state companies. This was a cooperative project with the Economic Development & Finance Division of the North Dakota Department of Commerce.



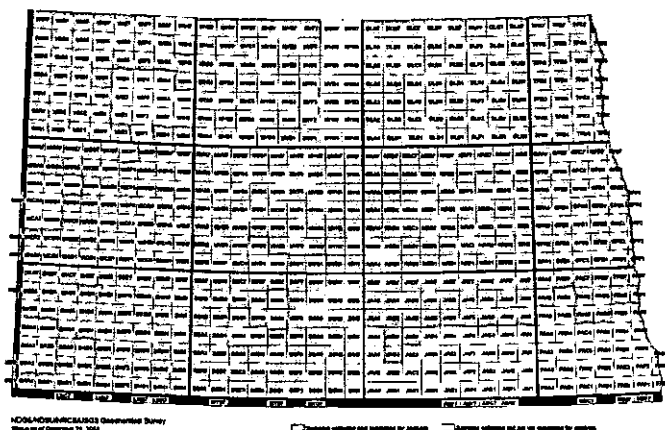
Mapping Program – Economic Minerals



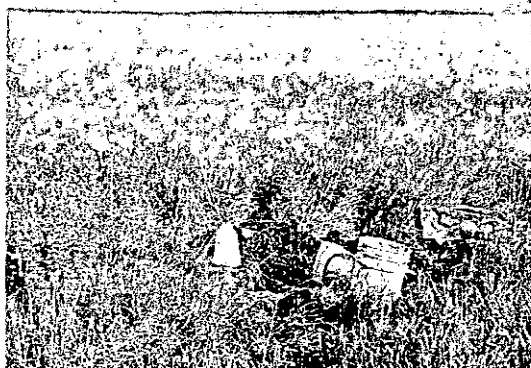
Thickness map of the Prairie Salt at a depth of 9,000 to 11,000 feet in the Crosby 1:100,000 scale map sheet. This is one of approximately 140 digital maps that have been created for rock units occurring between the surface and a depth of 14,000 feet within the Crosby sheet. These maps were generated during Phase I of the Weyburn CO₂ sequestration study.

Mapping Program – Geochemical Study

In 2003, the North Dakota Geological Survey entered into a cooperative agreement with the US Natural Resources Conservation Service, North Dakota State University, and the US Geological Survey to conduct a surface, geochemical study in North Dakota. A total of 735 sites were sampled and more than 2000 soil and subsoil samples were collected. We have submitted 1,416 samples for analysis and will submit the remaining samples this winter. These samples are being analyzed for 20 trace elements including arsenic and selenium.



This project should generate background geochemical data that is of value to agriculture, livestock producers, water resource districts, federal, state, and local agencies.



Geochemical samples were obtained from pastureland, cropland, and fallow fields across North Dakota.

Fossil Resource Management Program



Volunteers pose for a photograph behind the field package containing the skeleton of the 75 million year old giant marine sea turtle (*Archelon*) excavated near Cooperstown. It took eight days to excavate the fossil. The plaster-jacketed fossil weighed approximately 1,500 pounds.

The ND Geological Survey manages North Dakota's fossil resources through development of the State Fossil Collection (established in 1989), by monitoring paleontological activities on public lands, by performing paleontological assessments of lands being impacted by ground disturbing activities, and by conducting paleontological investigations. The State Fossil Collection is housed in the Clarence Johnsrud Paleontology Laboratory in the North Dakota Heritage Center. The State Fossil Collection contains millions of fossils including microscopic specimens such as pollen grains and foraminifera (single cell marine animals that have a shell) as well as leaves, clams, snails and tens of thousands vertebrate fossils (dinosaurs, Ice Age mammals, etc.). A total of **2,921 fossils** were cataloged into the NDGS State Fossil Collection between September, 2003 and December, 2004. Thousands of additional specimens were added into the collection from recent fossil excavations and are awaiting cataloging.



Brett Woodward (paleontology technician) has removed roughly one-third of the shale overlying the *Archelon* turtle bones. Fossil bones (brown objects in photo) discovered so far include a lower jaw, flipper and leg bones, and vertebrae. We have yet to determine how complete the skeleton is.



John Hoganson, paleontologist, examining 30 million year old turtle fossils from the Dickinson area. All but the largest fossils are stored within 107 fossil storage cabinets (a total of 856 drawers) in the paleontology laboratory.

North Dakota Geological Survey

Core and Sample Library

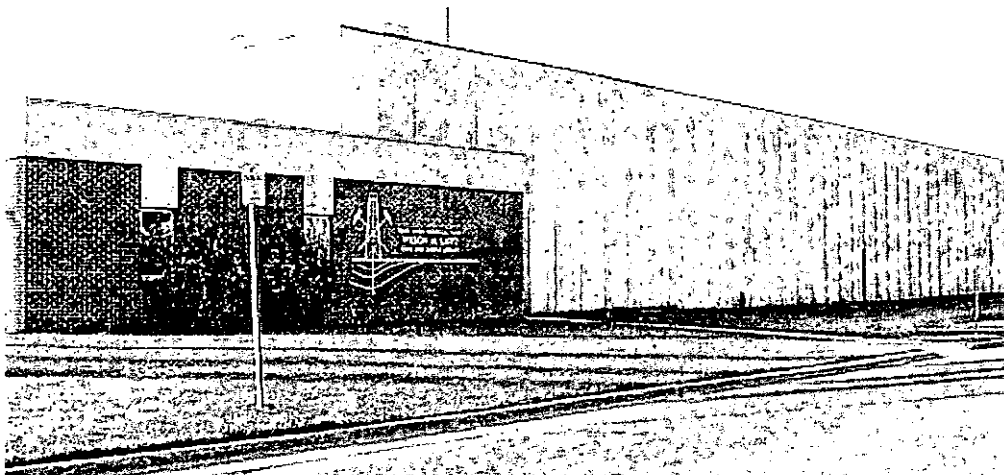
The North Dakota Geological Survey Core and Sample Library is located on the campus of the University of North Dakota. The 20,000-square-foot facility houses the most complete set of oil and gas samples in the United States. It contains more than **70 miles of rock core** representing 3,834 oil wells. In addition, the facility also has sample cuttings from over 10,400 oil wells (representing 75% of the 14,014 wells that have been drilled in North Dakota).



We recently completed a year-long inventory (initially scheduled for 14 months) of this facility. During the inventory, the first in over 20 years, we were able to catalog all of the holdings of the core facility, identify 22 misplaced cores, 95 previously undocumented cores and samples, and a core from an oil well that records had mistakenly indicated was never cored.

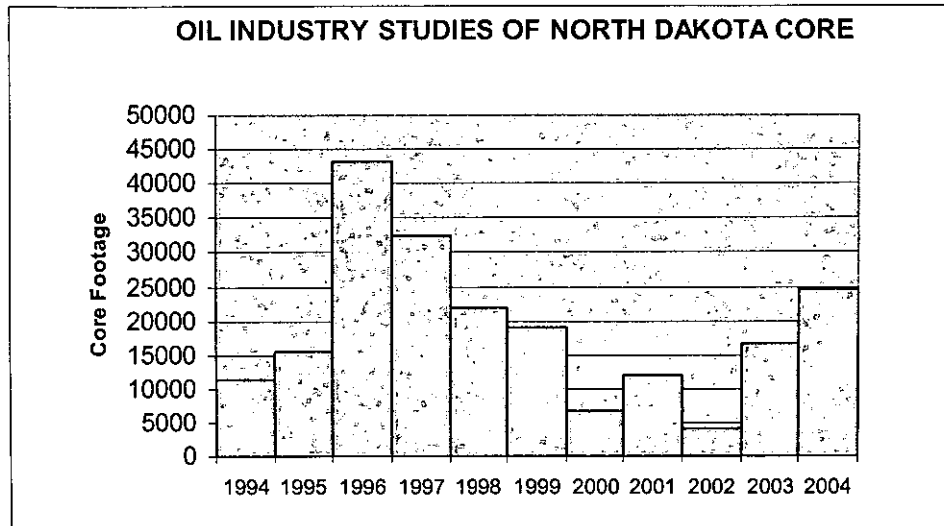
We have been adjusting core intervals as we go and sending the corrected data to the Oil and Gas Division so they can make adjustments to their well files. The complete collection will soon be available for an on-line search.

In addition to oil and gas samples and cores, the facility also houses samples from water wells, environmental studies, and missile silos.



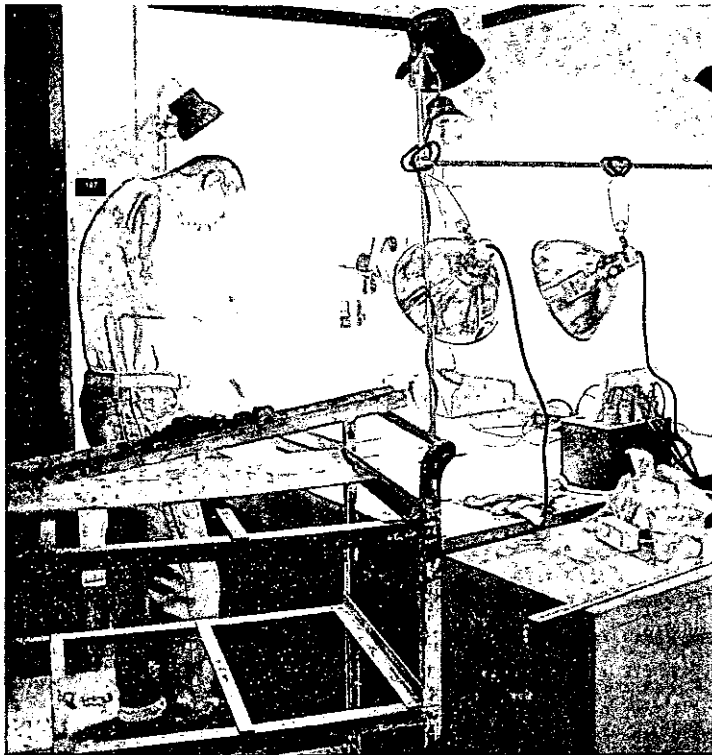
North Dakota Geological Survey

Core and Sample Library



High crude oil prices and a successful horizontal drilling program in the middle Bakken Formation in eastern Montana have created a level of interest in North Dakota oil well cores not seen in seven years. In 2004, industry geologists studied over 23,000 feet of core in our Core and Sample Library in Grand Forks, the highest amount studied since 1997.

PHOTOGRAPHING CORE AND THIN SECTIONS FOR WEBSITE



Kent Hollands (core library technician) photographing core. The process is very time consuming, it requires separating the core into one foot intervals and often wetting the face to bring out sedimentary features.

In the fall of 2004, the North Dakota Geological Survey began a project to photograph representative cores and thin sections in our collection and **place those digital photographs on the ND Oil and Gas Division website.** Doing so, enables oil companies and consultants to view the oil well files, electric logs, core photos, and photomicrographs all on one webpage. We believe that North Dakota is the only state in the nation where all of this information is available on line. So far, we have placed **4,700 photographs** representing 2,479 feet of core from 39 oil wells on the Oil and Gas Website. **This program has been very favorably received by the oil and gas industry.**

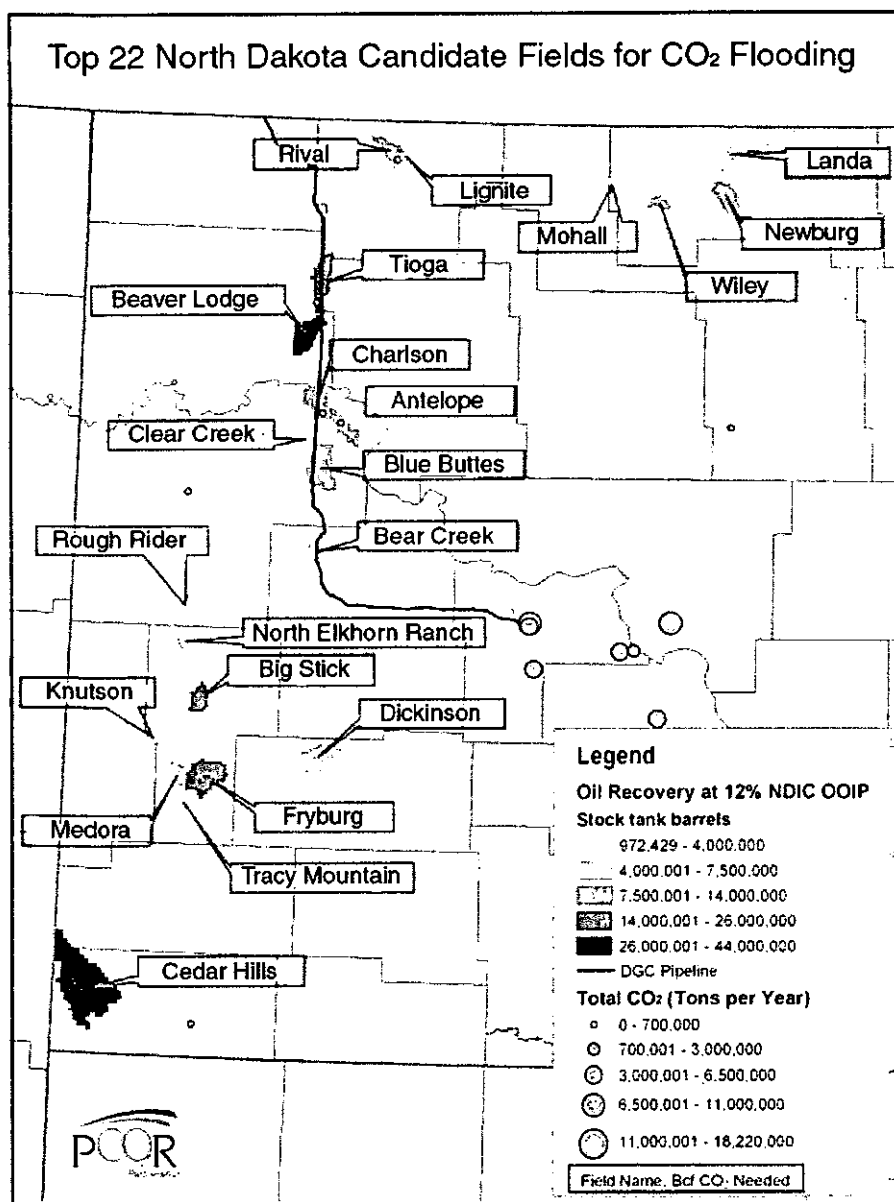
The Oil and Gas Division and the Survey are purchasing a microscope to photograph **15,000 thin sections.**

North Dakota Geological Survey

Subsurface Programs

PLAINS CO₂ REDUCTION PARTNERSHIP (PCOR)

In 2003, the North Dakota Geological Survey (and the ND Oil and Gas Division) entered into the Plains CO₂ Reduction Partnership (PCOR) for the purpose of studying ways of **sequestering carbon in the North Dakota portion of the Williston Basin**. The PCOR program is managed by the Energy and Environmental Research Center (EERC) in Grand Forks and is one of seven carbon centers in the U.S. that is being funded by the U.S. Department of Energy. North Dakota is one of nine states and three Canadian Provinces that are participating in the PCOR project. Over the last 12 months, we have been providing geologic data on the Williston Basin to EERC and co-authored five Phase 1 reports. We were able to quickly respond to the needs of this project because Survey geologists have spent decades studying the rocks in the Williston Basin. Survey hours are being used as an in-kind match for this DOE grant. We plan to continue cooperating on the project as it enters Phase 2. Phase 3 will include a demonstration project that is projected to take place in western North Dakota.

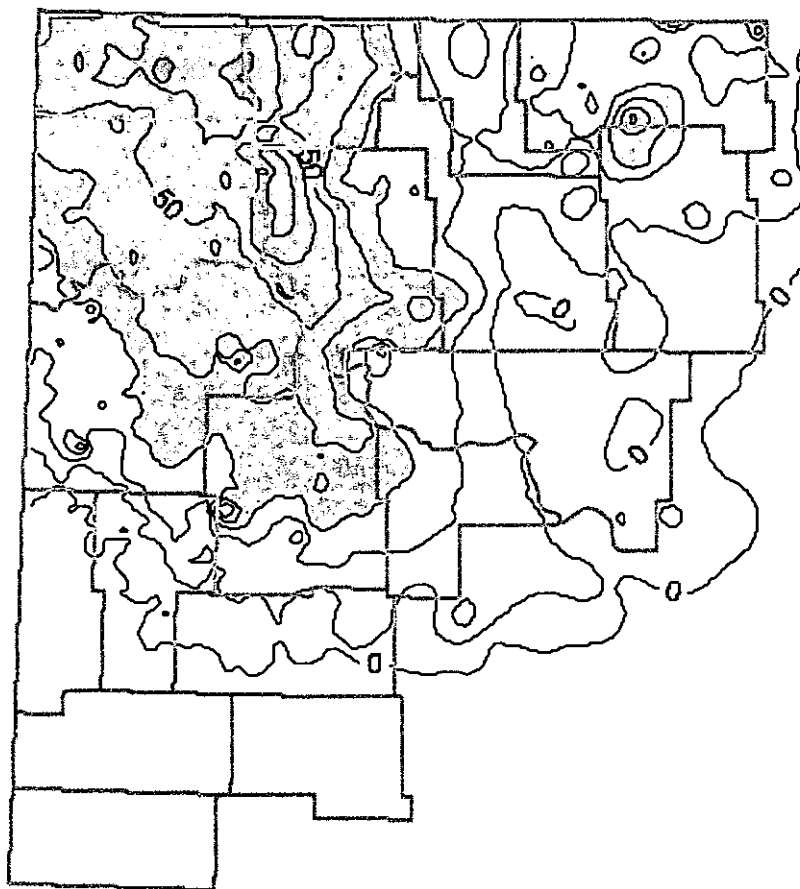


North Dakota Geological Survey

Subsurface Programs

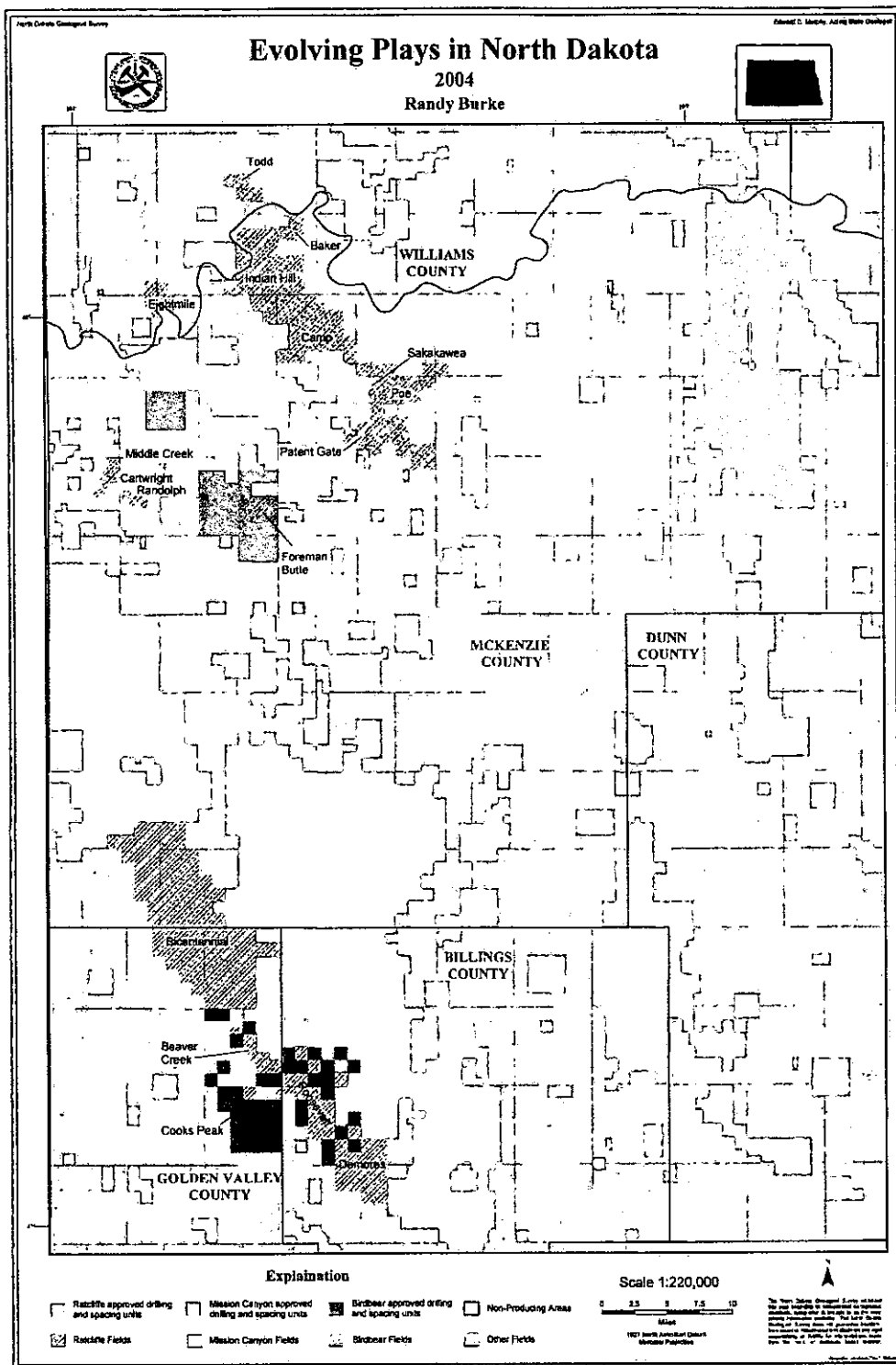
MAJOR OIL PLAYS IN WESTERN NORTH DAKOTA

There is a substantial amount of interest in the Williston Basin due to the high price of crude oil and four significant oil plays in western North Dakota; **Birdbear Formation, middle Bakken Formation, Ratcliffe interval, and Mission Canyon Formation.** These plays are all being drilled with horizontal wells. One of our subsurface geologists is nearing completion of a much anticipated report on the middle Bakken Formation. Our other subsurface geologist is studying the oil potential of the Ratcliffe interval and Mission Canyon and Birdbear Formations. We anticipate completing these studies in 2005.



A map of western North Dakota showing the thickness of the middle Bakken Formation. Throughout the current play area, the target zone within the middle Bakken is only 10 feet thick.

Subsurface Programs

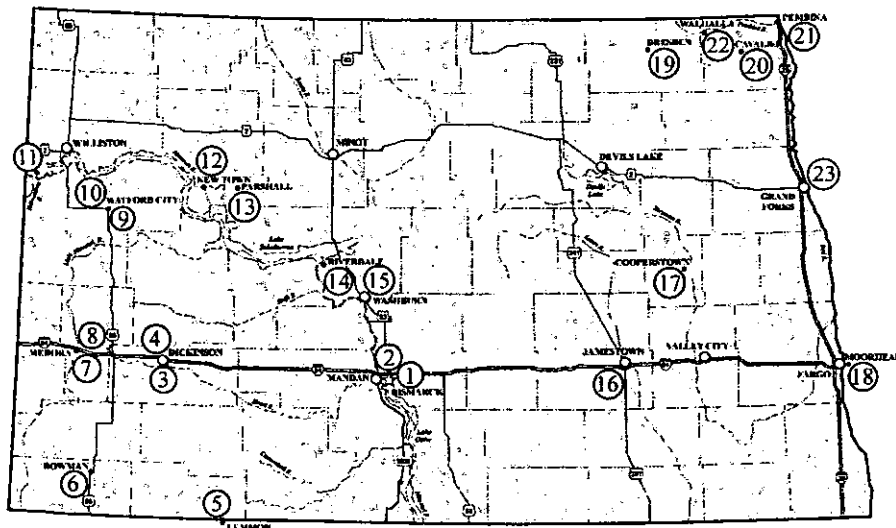


This is one of a series of four maps the North Dakota Geological Survey recently published depicting drilling blocks established in the Ratcliffe, Birdbear, and Mission Canyon oil plays currently underway in western North Dakota. The map covers most of McKenzie County, as well as southern Williams, western Dunn, and the northern portions of Golden Valley and Billings counties.

North Dakota Geological Survey

Outreach and Geotourism Programs

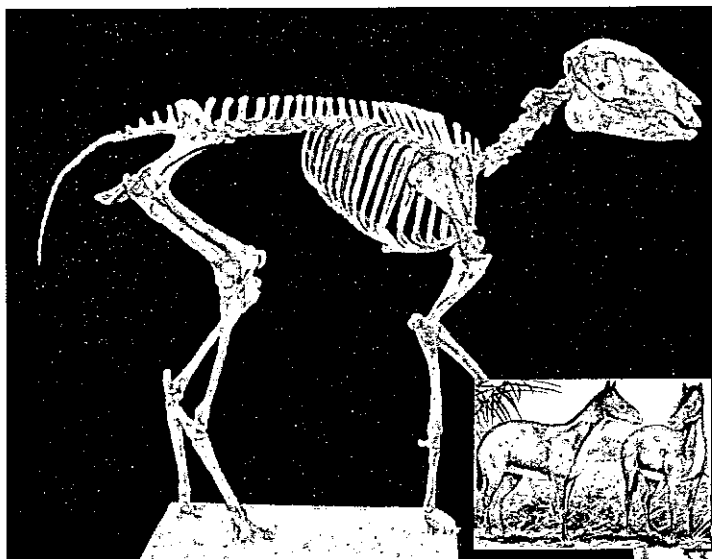
The ND Geological Survey outreach program is threefold; to educate the citizens of North Dakota on the geologic features and resources of their state, to provide geologic information to the mineral industry thereby promoting the safe development of North Dakota's natural resources, and to encourage tourists to visit North Dakota's unique geological features and geological exhibits around the state.



Over the years, the ND Geological Survey has provided fossil and geologic exhibits to 23 museums and visitor centers across North Dakota.



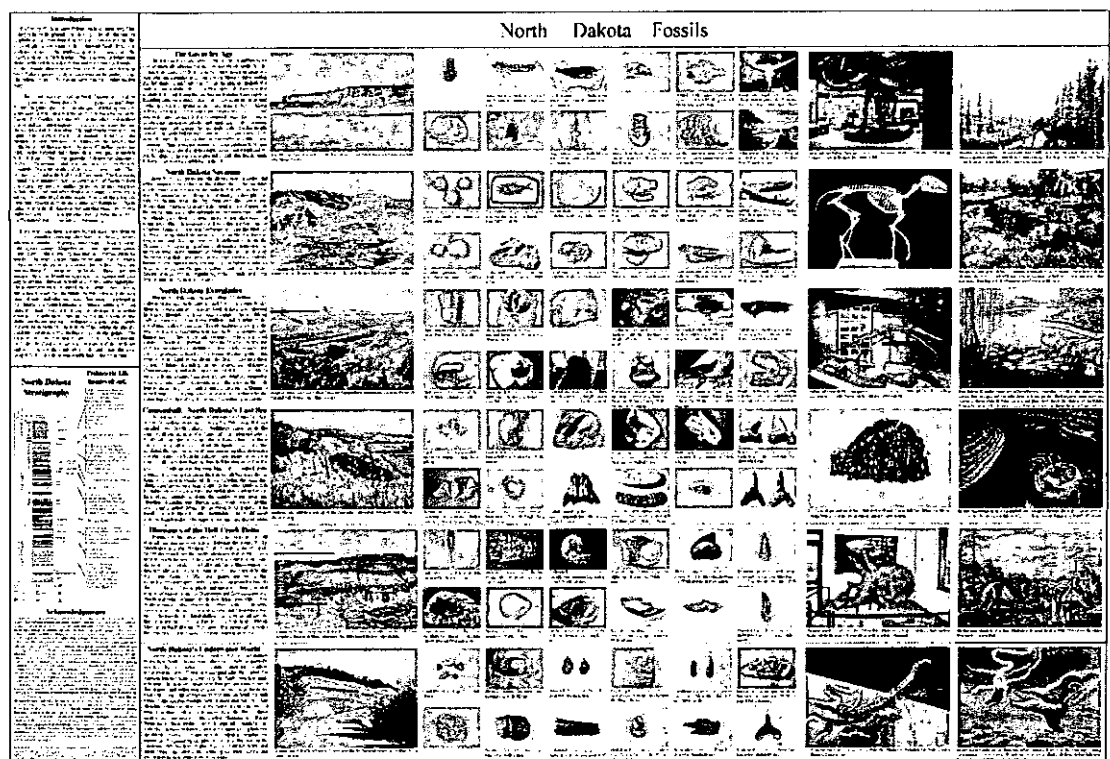
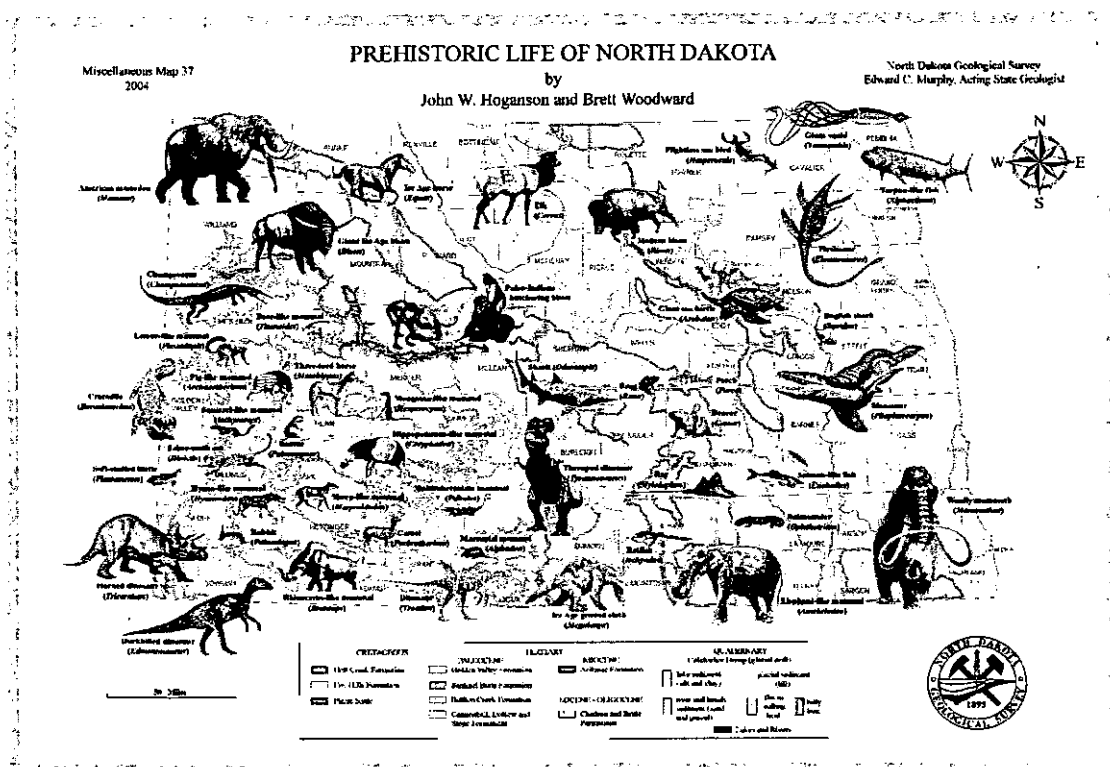
Most recently, we have been developing fossil and energy exhibits for the newly opened visitor's center in Watford City. The eight foot high, eight foot wide bald cypress stump is part of the fossil exhibit.



The NDGS recently donated a cast of *Mesohippus* to the ND Cowboy Hall of Fame, scheduled to open this spring in Medora. The 18 inch-tall horse, one of the first horses in North Dakota, roamed western North Dakota 30 million years ago.

North Dakota Geological Survey

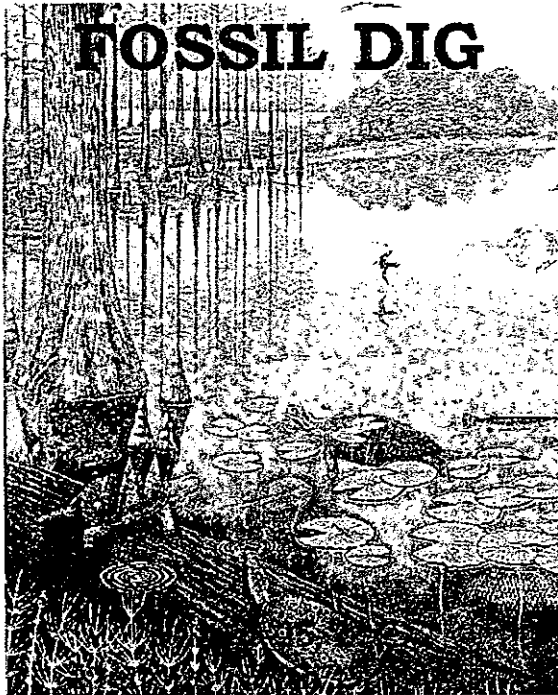
Outreach and Geotourism Programs



This 24 x 36 inch, two-sided poster describing the prehistoric life of our state is scheduled to be published within the next few months. We plan on distributing copies of this educational poster to every school in North Dakota.

North Dakota Geological Survey

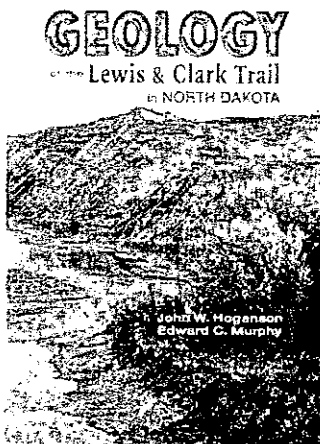
Outreach and Geotourism Programs



In December 2004 the North Dakota Geological Survey entered into an agreement with the Theodore Roosevelt Medora Foundation to co-sponsor a public fossil dig near Medora during July, 2005. In previous years, the ND Geological Survey has co-hosted fossil digs in both northeastern and southwestern North Dakota. These digs have brought into North Dakota **tourists from at least 10 states and three countries.**



During the *Circle of Cultures Lewis and Clark Signature Event* last October, Survey geologists gave four presentations, co-led a three day fieldtrip to Williston, and staffed an educational booth. Survey geologists have been involved in 108 outreach activities this biennium; including giving **presentations, tours, fieldtrips, and workshops.**



In August, 2003 Mountain Press published a book entitled *Geology of the Lewis and Clark Trail in North Dakota* written by two ND Geological Survey geologists – the individuals receive no royalties from book sales. As a result of the book, we have given 28 presentations to more than 1,400 people and participated in 11 special events such as book signings, TV and radio interviews, and led fieldtrips. The book was written to encourage North Dakotans to vacation within our State as well as to attract out-of-state visitors to North Dakota.

North Dakota Geological Survey

Outreach and Geotourism Programs

CORE WORKSHOPS



North Dakota Geological Survey geologists Julie LeFever (upper right hand corner) presented a day-long core workshop in Denver on the middle Bakken Formation

The ND Geological Survey created a cd of the workshop.

On September 24, 2004, the North Dakota Geological Survey partnered with the Petroleum Technology Transfer Council to present a core workshop on the middle Bakken Formation. More than 70 people enrolled in the workshop, twice the number originally anticipated. The participants represented all of the major players in the middle Bakken play in eastern Montana looking to expand their exploration programs into western North Dakota. The North Dakota Geological Survey will present another Bakken core workshop in Billings, Montana in February of 2005. We are contemplating hosting a Bakken, Birdbear, and/or Mission Canyon core workshop in Grand Forks in 2005 or 2006. The attendance at the Billings core workshop will help us to determine the feasibility of hosting a core workshop in North Dakota.

NORTH AMERICAN PROSPECT EXPO (NAPE)



The North Dakota Geological Survey staffed a booth at the North American Prospect Expo (NAPE) in Houston, Texas on January 26-28, 2005. This was the first time that we had attended NAPE, billed as the largest oil and gas exploration and production event in the world. Attendance topped 10,700 and there were approximately 900 exhibit booths and about 600 companies. The Survey displayed maps, cross sections, core photographs, etc. that we had generated while studying the hottest oil and gas plays in the North Dakota portion of the Williston Basin.

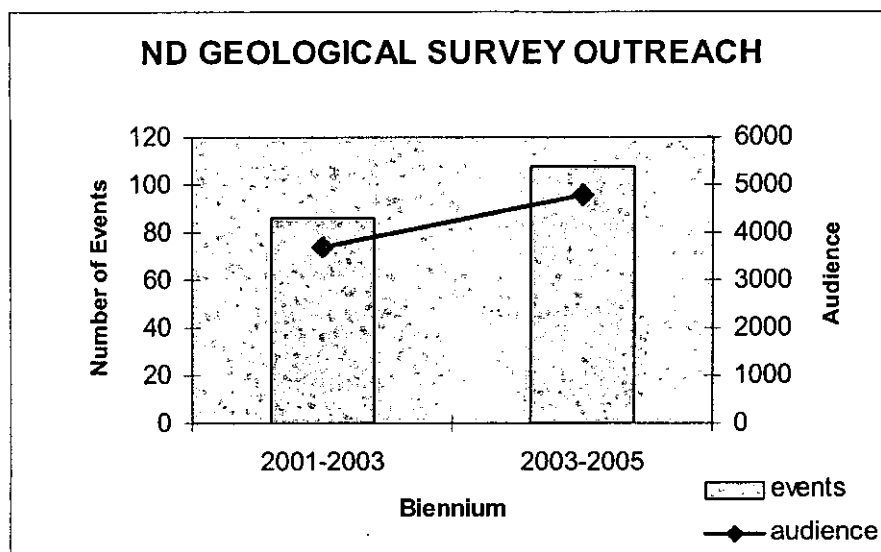
While in Houston, one of the Survey geologists presented a talk on the Middle Bakken play in the Williston Basin to the Houston Geological Society. Our purpose for attending this meeting was to **encourage companies to invest in North Dakota through lease plays, partnering in drilling programs, etc.**

North Dakota Geological Survey

Outreach and Geotourism Programs

WILLISTON BASIN PETROLEUM CONFERENCE

The 13th annual Williston Basin Petroleum Conference (formerly known as the Williston Basin Horizontal Well Workshop) will be held in Regina, Saskatchewan from April 24-26, 2005. The Geological Survey and Saskatchewan Industry and Resources have co-hosted this conference from the beginning. This year, the ND Oil and Gas Division will also be a co-sponsor. By all accounts, this conference has been successful in bringing together the various segments of the oil industry on both sides of the international border, thus providing an avenue for direct exchange of information and promotion of the Williston Basin. We are bringing in the Oil and Gas Division now, as well as potentially the Energy and Environmental Resource Center in the future, to reduce this drain on our manpower resources. The conference, which has been attracting 250 to 300 registrants in recent years, will be held in Minot in 2006.



With six months to go in the current biennium, our geologists have presented 26% more talks than we did in the previous biennium (108 presentations compared to 86) and reached more people 4,800 verses 3,700 (a 30% increase).

Examples of Outreach Presentations by NDGS Geologists During the Current Biennium:

Geology and Lewis and Clark in North Dakota; Grand Opening of the Confluence Center, Williston, August 23, 2003.

Glacial Geology of Devils Lake; Bismarck, September 5, 2003.

The Magnitude and Rate of Past Global Climate Changes, Dickinson, September 23, 2003.

Glacial Lake Agassiz; Girl Scouts, Bismarck, November 15, 2003.

Geologic Observations by Lewis and Clark in North Dakota; Lewis and Clark Interpretive Center, April 7, 2004.

Rise and Fall of the Dinosaurs; Bismarck, April 27, 2004.

Prehistoric Life of Western North Dakota 60 Million Years Ago; Watford City, June 1, 2004.

Primeval Forests of North Dakota; Bismarck, June 11, 2004.

The Surface and Subsurface Geology of Western North Dakota: Along Interstate I-94 and ND Highway 22; North Dakota Petroleum Council Teachers Conference Fieldtrip, June 8, 2004.

Coal-Bearing Rocks in the Northern Great Plains; Lignite Energy Council Teachers Conference, June 15, 2004.

Oil Potential of the Middle Bakken Formation; Bismarck, September 9, 2004.

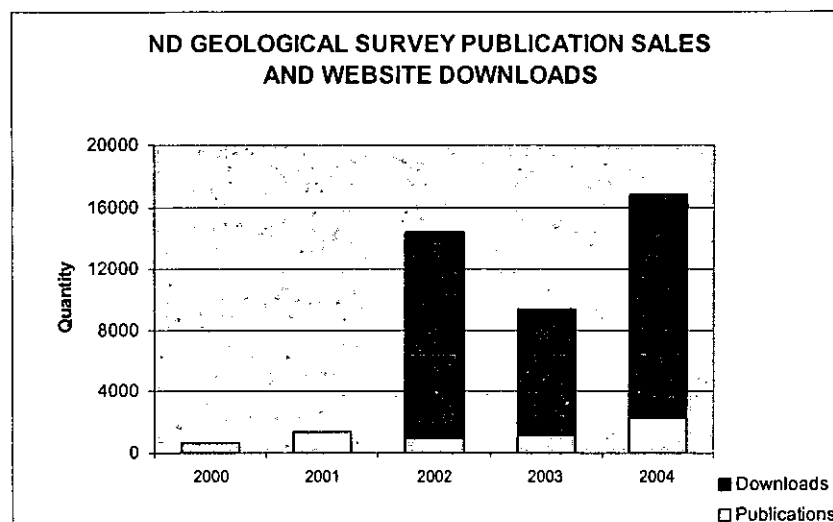
Geologic Observations of Lewis and Clark in North Dakota, UND, Grand Forks, October 15, 2004.

Geologic Mapping at the ND Geological Survey; Minot State University Field Methods Class, Bismarck, November, 19, 2004.

North Dakota Geological Survey

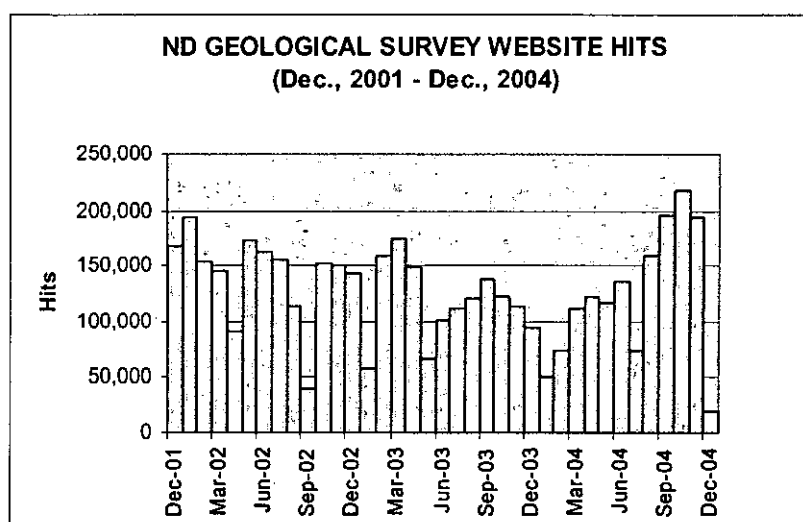
Outreach and Geotourism Programs

Publications and Websites



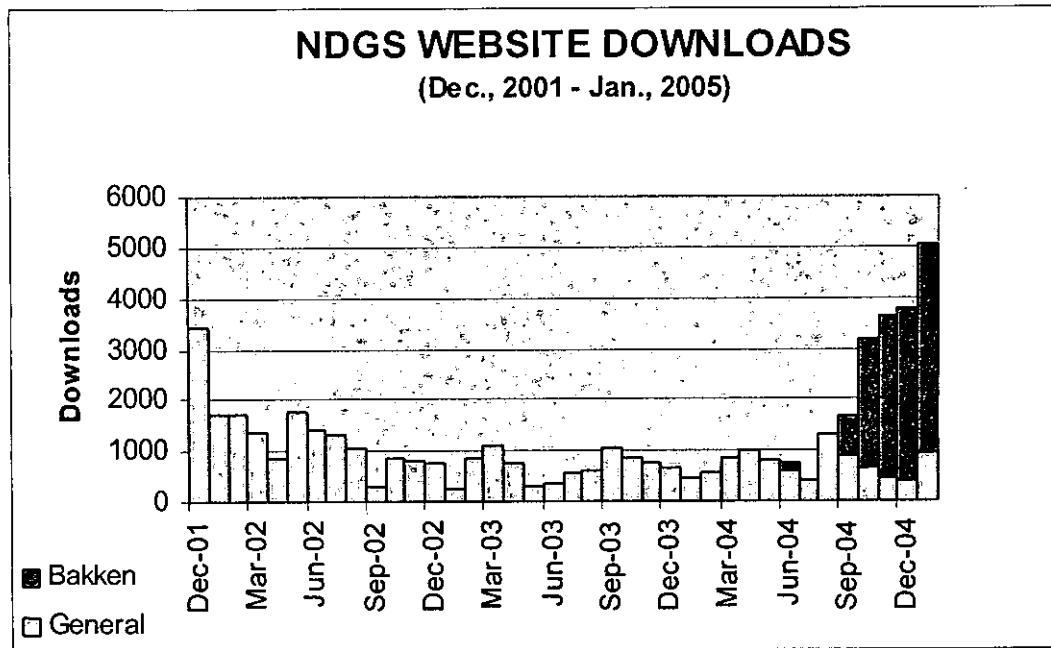
The North Dakota Geological Survey has published over 500 maps and reports on various geologic topics in North Dakota. We typically sell between 500 and 1,000 Survey publications a year. We also give a number of our educational publications away through our outreach programs. In the last 18 months, Mountain Press Publishing sold 3,500 copies of our book *Geology of the Lewis and Clark Trail in North Dakota*.

We have created geologic articles specifically for our website and have scanned and placed our out-of-print Survey publications on our website. These maps, posters, and articles have been downloaded over 36,000 times in the last three years. Our websites and publications help to fulfill our mission of providing geologic information to mineral companies, consultants, and the citizens of North Dakota.



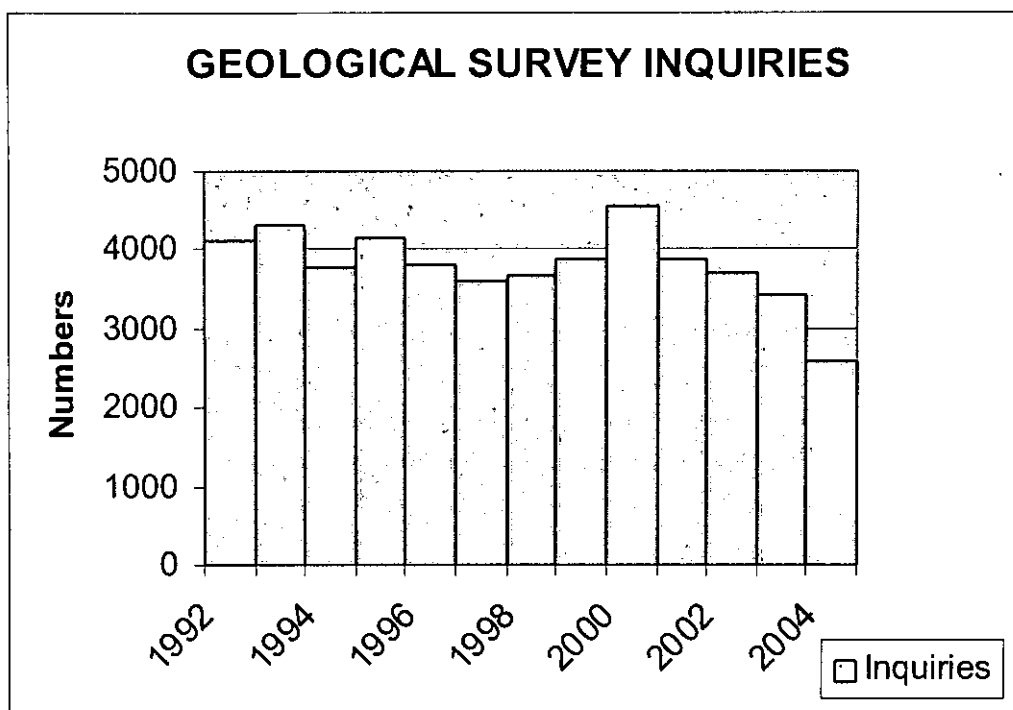
The North Dakota Geological Survey website has been averaging 1.5 million hits per year.

Outreach and Geotourism Programs



Over the past three years, there has been an average of 1,000 downloads per month on the ND Geological Survey website. That number tripled in the last six months to more than 19,000 as oil companies and petroleum geologists downloaded information on the Bakken Formation, a hot oil play in western North Dakota, more than 14,000 times.

Service



Survey geologists answered more than 2,500 inquiries in 2004 on various aspects of North Dakota geology. These inquiries range from general questions on the geology of North Dakota to questions from landowners regarding mineral resources (coal, oil and gas, sand and gravel) on specific tracts of land.

We have experienced a decline in inquiries the last four years that is likely due to the increasing amounts of geologic information that we have been placing on our websites. The information on our website is providing answers to question that we previously answered on an individual basis.

In addition to answering inquiries, we have reviewed the geologic suitability of over 150 projects this biennium including:

- Highway and bridge changes.
- Pipeline corridors.
- Transmission line corridors.
- Inert, municipal, and industrial landfill applications.
- Coal mine permit applications.
- Paleontological, mineral, unit and well drainage reviews and evaluations on State Lands.

Explanation of Program Costs

The ND Geological Survey budget consists of 72% salaries, 28% operating. The capital equipment in the optional budget would comprise approximately 1% of the budget.

70% of our operating budget is travel, ITD data and phone charges, and office rent.

FTE Changes

A total of 5.3 FTE positions have been eliminated from the Geological Survey in the Governor's budget. A total of 3.3 FTE positions were eliminated in the merger of the North Dakota Geological Survey and Oil & Gas Division. These positions include two geologists, a geologic mapping technician, and an administrative position that is shared with the Oil & Gas Division. One geology position, that of the previous State Geologist, was eliminated upon his retirement on June 30, 2004. The other geology position, a petroleum geologist, has been vacant since August, 2004.

Two FTE positions were eliminated from the current budget because we have finished the soils program. In 1997, the Survey was given the task of digitizing all of the county soils maps in the state, this involved approximately 5,000 quarter quads. Completion of this project was estimated to take 10 years. However, due to the hard work and dedication of our geologic mapping technicians, our modernization from manual to digital compilation, involvement of the private sector, and an EPA grant administered through the North Dakota Department of Agriculture, we were able to finish the program on December 30, 2004, 2.5 years ahead of schedule. Two of our geologic mapping technicians are now working on coal and other Geological Survey maps. Two of the geologic mapping tech positions will soon be vacant, one technician left in August, 2004 and another will leave on January 17, 2005 to take a job with ND DOT.

Continuing Appropriations

Cartographic Products Fund. The Cartographic Products Fund was established during the 1989 legislative session (NDCC 54-17.4-10). The fund is used to purchase topographic maps for sale from the federal government. All monies collected from the sale of topographic maps is redeposited in this fund. Map sales are cyclical and this fund require a revolving fund to function most efficiently.

Global Positioning System Data Fund. In 1993, the ND Geological Survey, the ND Oil & Gas Division, the ND Dept. of Agriculture, the ND State Water Commission, the ND Dept of Transportation, the US Geological Survey, and Bismarck State College entered into an agreement to establish and maintain a global positioning base station at Bismarck State College. The Global Positioning System (gps) Data Fund was established by the 1995 legislative session (NDCC 54-17.4-12). The revolving fund was designed to hold gps fees and to pay the costs of maintaining the base station. In 2001, all data from the base station

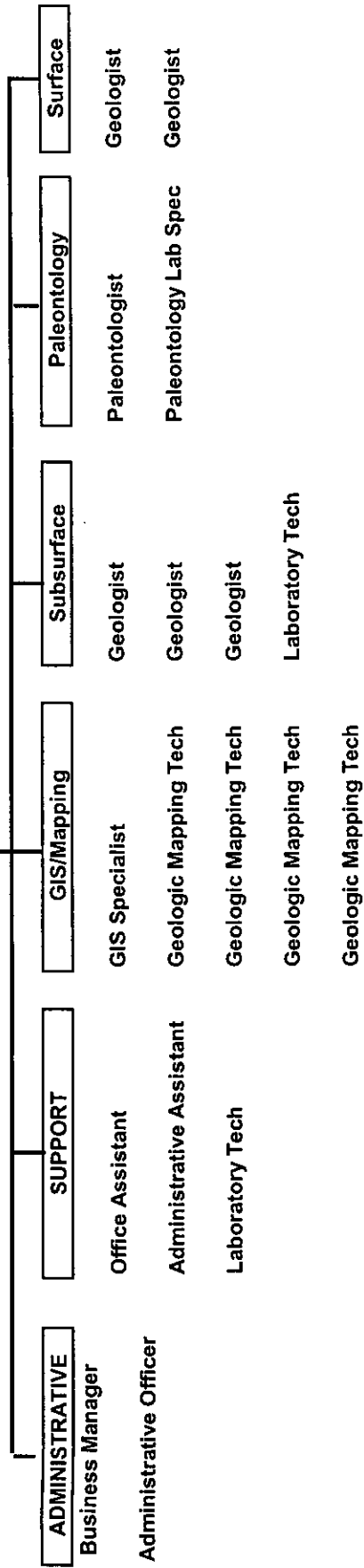
North Dakota Geological Survey

2003-2005

19.65 FTE

State Geologist (funded for the first year of the biennium)

Assistant Director



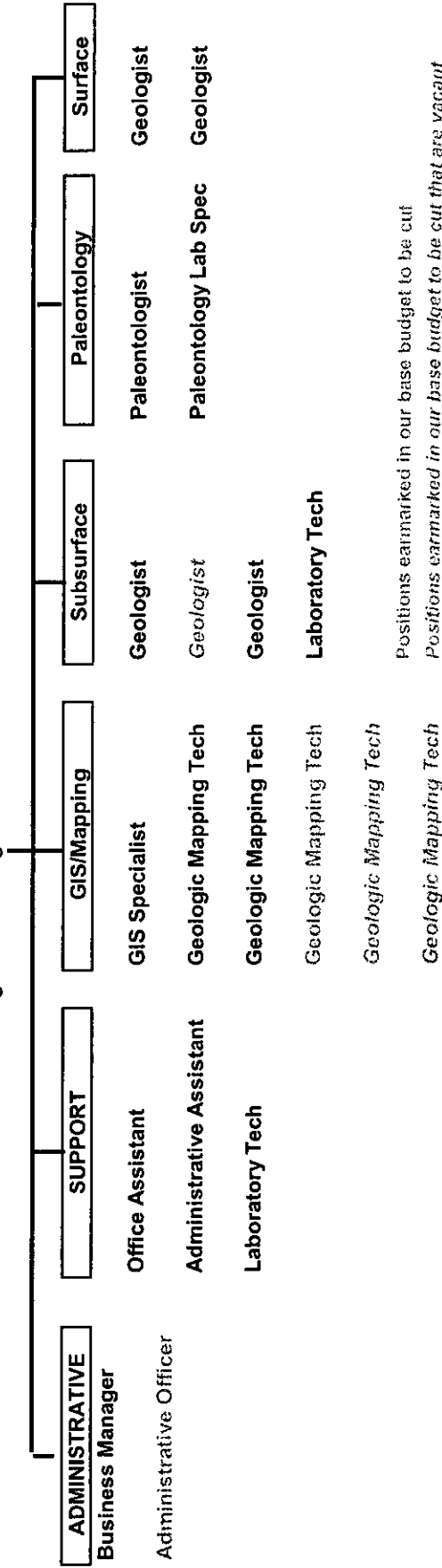
Geologic Mapping Tech

North Dakota Geological Survey

SB 2014

14.35 FTE

Acting State Geologist / Assistant Director



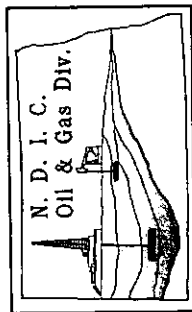
Positions earmarked in our base budget to be cut

Positions earmarked in our base budget to be cut that are vacant

was put on line for all users to download for free. The fund is still being used to pay for the costs of maintaining the base station but no new monies are being deposited in the fund. In 2004, ten local engineering and surveying firms contributed towards the purchase of new equipment for the base station.

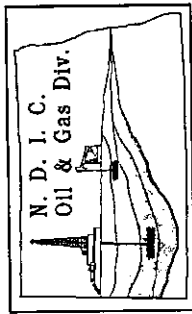
Fossil Excavation and Restoration Fund. The Fossil Excavation and Restoration Fund was established in by the state legislature in 1997 (NDCC 54-17.4-9.1). The fund contains monies donated to the ND Geological Survey to pay for excavation and restoration of fossils. The majority of money currently in the fund was given to the Geological Survey by the late Clarence Johnsrud of Trenton, ND to pay for new fossil exhibits at the ND Heritage Center. Fossil exhibits are costly and also take a considerable amount of time to plan and prepare. The size and scope of the display in question is dependent upon expansion of the Heritage Center. These variables require that money be held for long periods of time.

North Dakota Geological Survey



Senate Bill 2014
Senate Appropriations Committee
Testimony
Of
Lynn D. Helms
Director
Oil & Gas Division
North Dakota Industrial Commission

Save given to the House



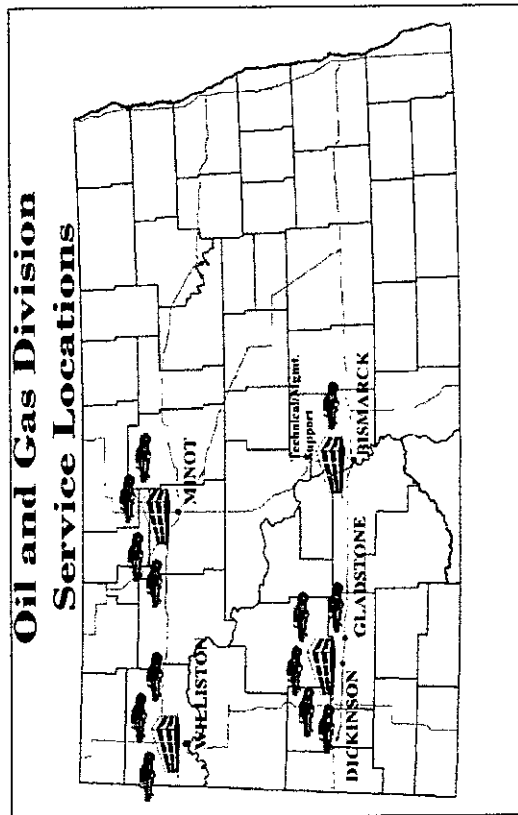
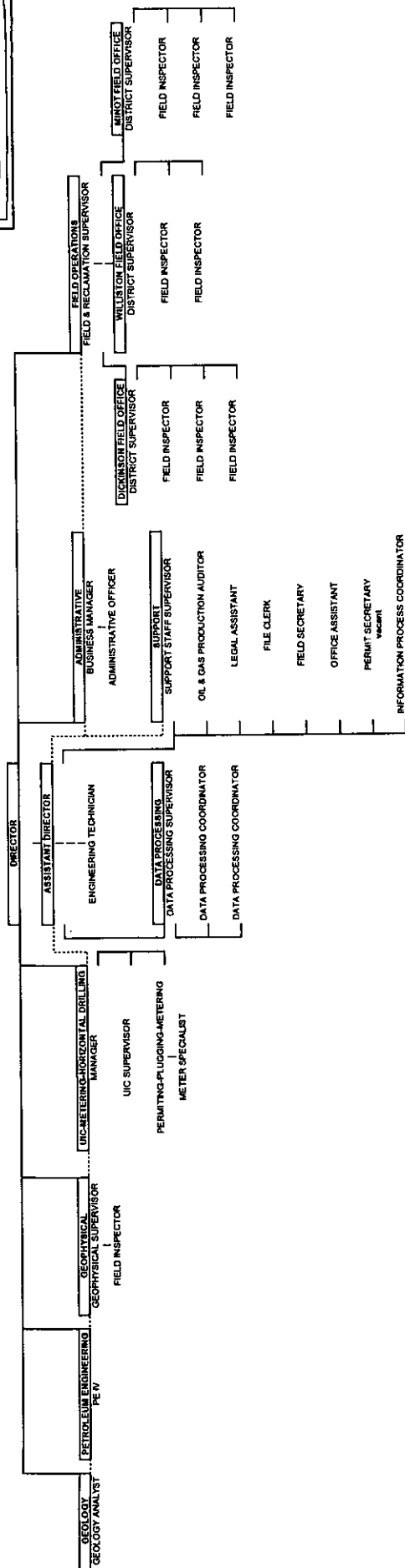
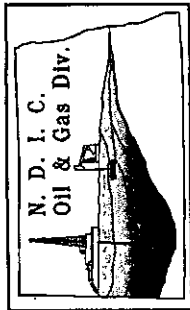
SERVICES PROVIDED

The Oil & Gas Division is the agency that provides the technical expertise needed for creating and enforcing statutes, rules, regulations, and orders of the Industrial Commission pertaining to geophysical exploration; drilling and production of oil and gas; and proper disposal of oil field brine and other oil field wastes.

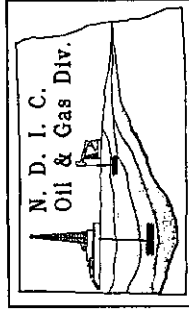
To accomplish this, the Oil & Gas Division maintains a staff of technical people trained in engineering, geology, field enforcement, and data acquisition, compilation, and analysis.

The Oil & Gas Division's Bismarck staff provides technical support to the Industrial Commission, and other state agencies, as well as acquisition and analysis of geological, production, and reservoir data required for decision making with respect to drilling, well spacing, unitization, protection of correlative rights, and underground injection control. The Bismarck staff also includes clerical and support persons who compile, store, and process geophysical exploration, production, and well information data for dissemination to other governmental agencies (State Auditor's Office, State Tax Department, State Health Department, State Land Department, OMB, and counties), industry, royalty owners, and the public.

The Oil and Gas Division has field offices in Minot, Williston, and Dickinson. These offices provide each field inspector with a laptop computer for access to our database and files, along with office space for preparing paper work and meeting with individuals from industry or the public. The field inspection staff monitor drilling operations on approximately 200 new wells per year; witness the proper plugging, abandonment, and reclamation of approximately 100 wells and well sites per year; oversee the operation of approximately 4,800 producing, brine injection, shut-in, and temporary abandoned wells; inspect approximately 3,000 producing facilities each month; provide special technical oversight under a Clean Water Act program delegated to the Oil & Gas Division from the EPA for underground injection of over 95 million barrels per year of Enhanced Oil Recovery fluids (77%), oil field brines (22%), and other fluid wastes (1%); monitor seismic programs involving over 150 square miles and 12,000 source points each year; and witness meter proving of over 180 oil and 1,500 gas meters each year.



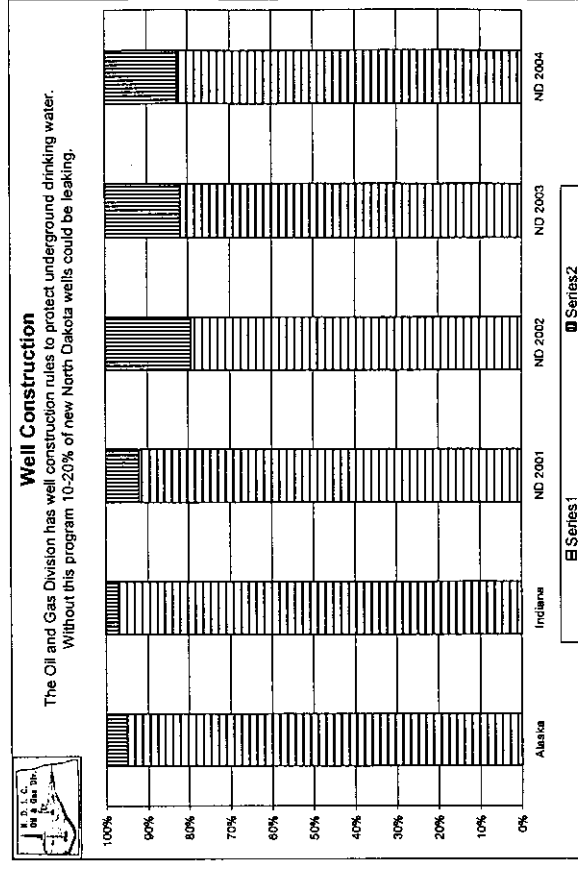
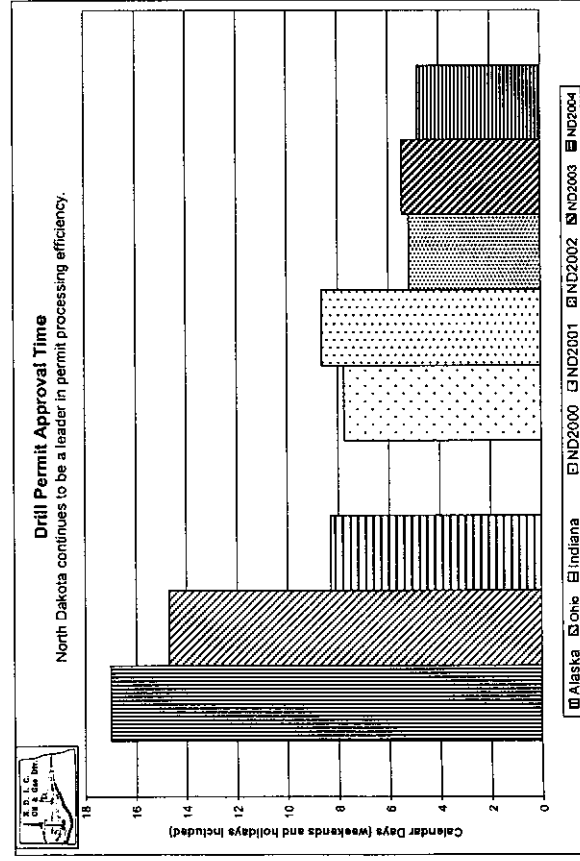
WELL PERMITTING AND CONSTRUCTION



The Oil & Gas Division:

Permits and monitors drilling and completion operations on approximately 200 new wells per year

Witnesses the proper plugging, abandonment, and reclamation of approximately 100 wells and well sites per year



GROUND WATER PROTECTION

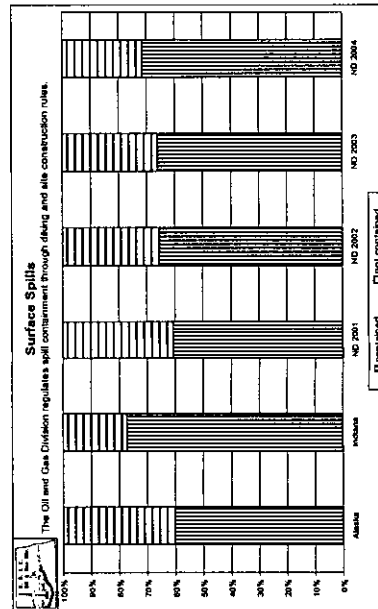
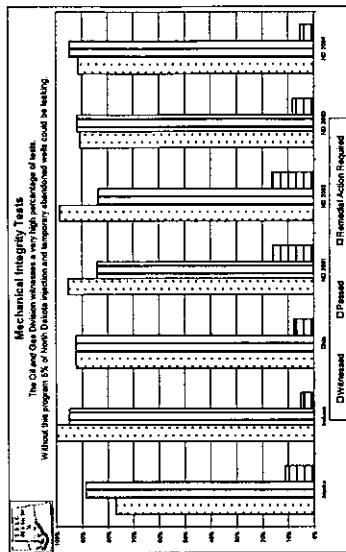
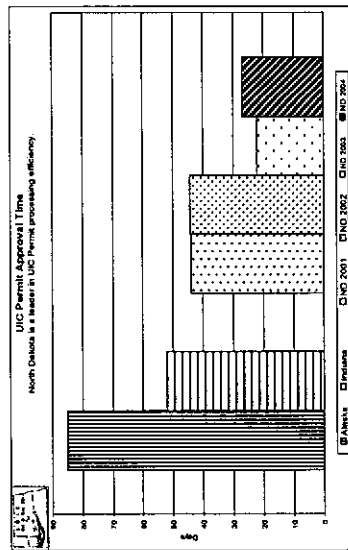
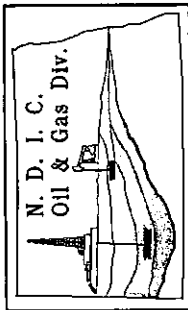
The Oil & Gas Division:

Oversees the operation of approximately 4,800 producing, brine injection, shut-in, and temporary abandoned wells

Inspects approximately 3,000 producing facilities each month

Provides special oversight under a Clean Water Act program delegated to the Oil & Gas Division from the EPA for underground injection of over 95 million barrels per year of Enhanced Oil Recovery fluids (77%), oil field brines (22%), and other fluid wastes (1%)

Monitors seismic programs involving over 150 square miles and 12,000 source points each year

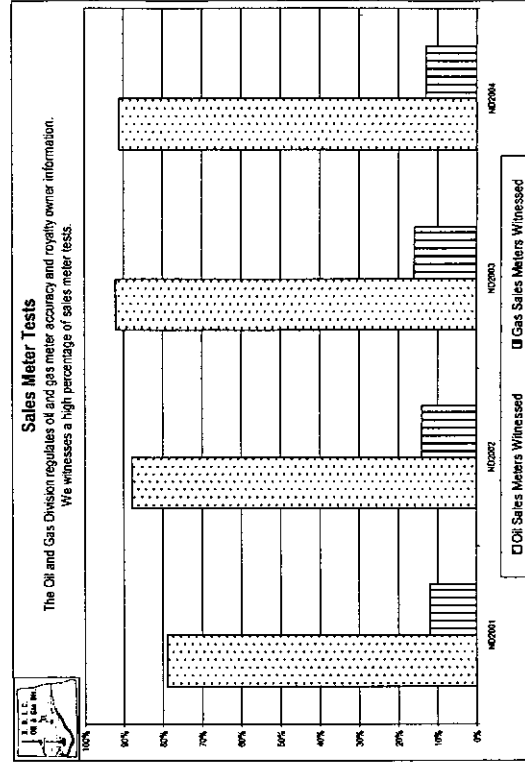
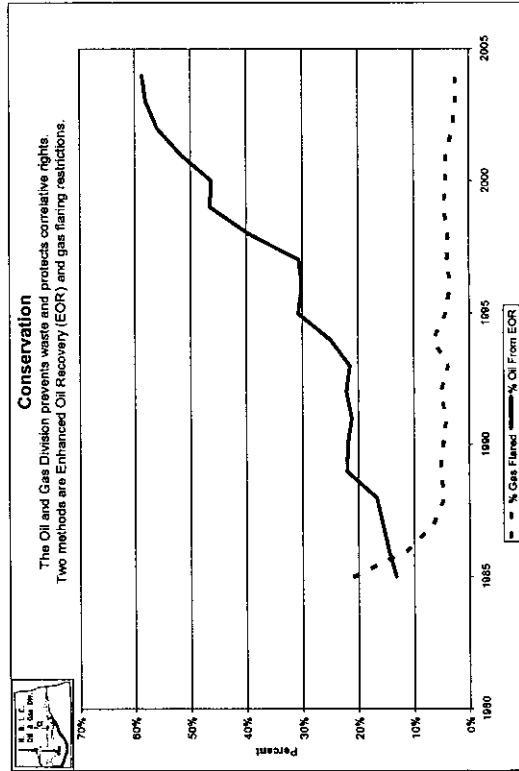
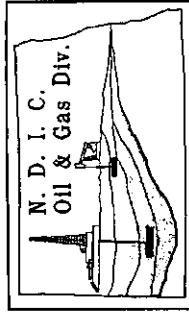


CONSERVATION AND PROTECTION OF CORRELATIVE RIGHTS

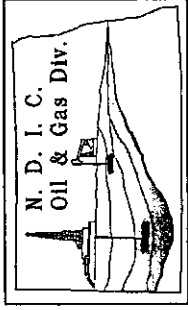
The Oil & Gas Division:

Hears approximately 200 spacing, drilling, pooling, flaring, and unitization cases each year

Witnesses meter proving of more than 180 oil and 1,500 gas sales meters each year.



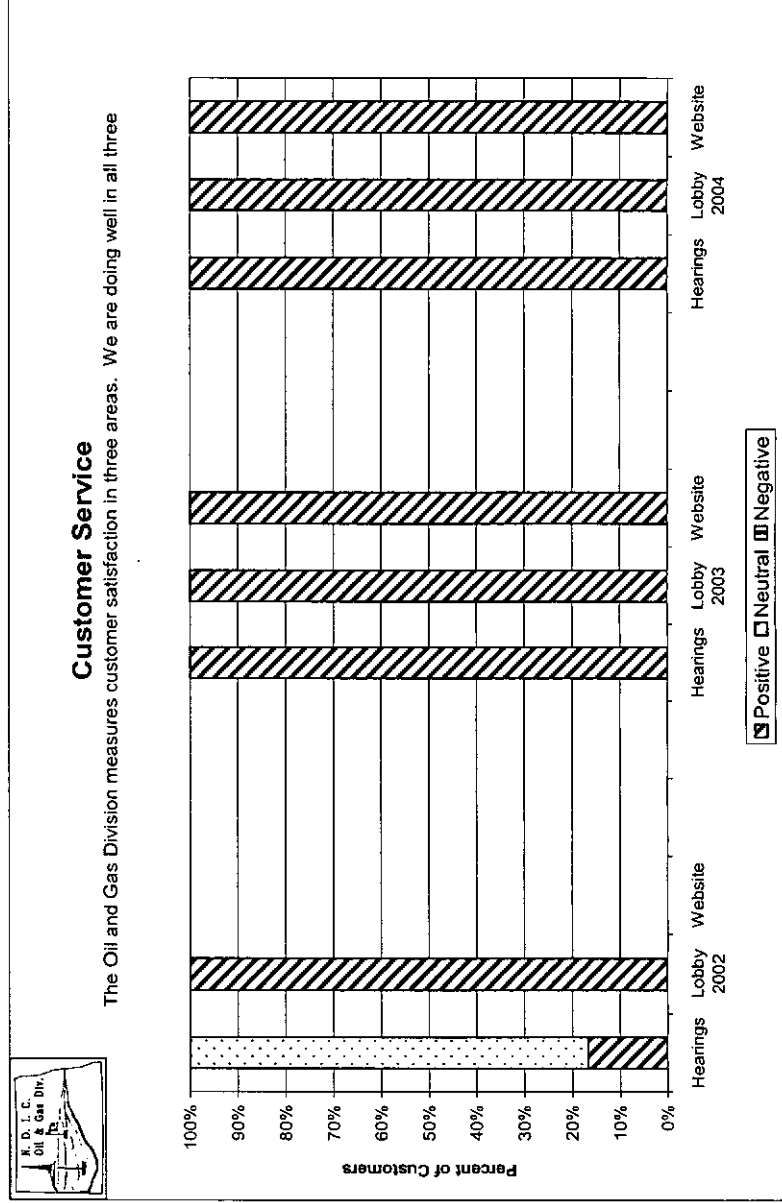
CUSTOMER SERVICE

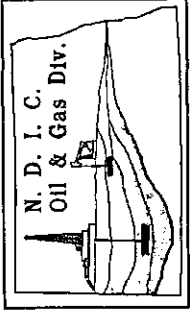


The Oil & Gas Division:

Provides internet access to over 50,000 well logs; 15,500 well files, production data, formation tops, core data, and publications

Monitors satisfaction with our hearing process, office visits, and website





EXPLANATION OF PROGRAM COSTS

The Oil & Gas Division budget breakdown is 79% Salaries & Wages, 20% Operating Expenses, and 1% Capital Equipment.

90% of our Operating Expense budget is DOT mileage rates, ITD charges, and office rent.

Salaries and Wages are the projection of present salaries minus 1.7 FTE positions to be eliminated in the merger of the Oil & Gas Division and North Dakota Geological Survey.

One of the positions is currently vacant and the duties have been reassigned while it is planned to combine the duties of the 0.7 FTE position with those of a current Geological Survey position.

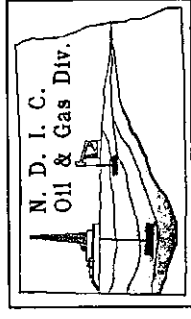
Operating Expenses for our agency have been held constant pursuant to OMB guidelines.

Necessary increases in IT Telephone, Travel (motor pool mileage rates), IT Equipment under \$5,000, and Office Rent are offset by decreases in IT Data Processing (assuming we remain exempt from functional consolidation).

Capital Equipment is decreased significantly.

IT Equipment Over \$5,000 is increased to replace a printer that is critical to providing timely information from our data base to industry, other agencies, and the public in map format.

CONTINUING APPROPRIATIONS



38-08-04.11 Cash Bond Fund for Plugging Oil and Gas Wells and Reclamation of Oil and Gas Well Sites

Monies deposited into this fund are from administrative fees on all monies held or controlled by the Commission under subdivision d of subsection 1 of section 38-08-04.

Monies in this fund are appropriated to the Commission to be used for a) defraying costs incurred in the plugging of abandoned oil and gas wells, and related activities; and b) defraying costs incurred in the reclamation of abandoned oil and gas drilling and production sites, saltwater evaporation pits, drilling fluid pits, and access roads, and related activities.

38-08-04.5 Abandoned Oil and Gas Well Plugging and Site Reclamation Fund

Monies deposited into this fund are from oil and gas operator permit fees and forfeited surety bonds.

Monies in this fund are appropriated to plug oil and gas wells and reclaim well sites, and associated facilities 1) if the person or company drilling or operating the well cannot be found, has no assets with which to properly plug or replug the well or reclaim the well site, or cannot be legally required to plug or replug the well or to reclaim the well site; 2) If there is no surety bond covering the well to be plugged or the site to be reclaimed or there is a forfeited surety bond but the cost of plugging or re-plugging the well or reclaiming the site exceeds the amount of the bond; or 3) the well is leaking or likely to leak oil, gas, or saltwater or is likely to cause a serious threat of pollution or injury to the public health or safety.

The Oil & Gas Division has five reclamation projects currently in progress with five abandoned wells and three additional well sites to be scheduled for plugging and reclamation.

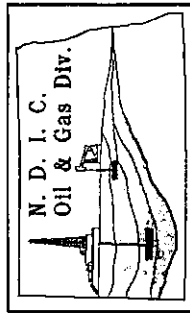
38-08-04.6 OIL AND GAS RESERVOIR DATA FUND

Monies deposited into this fund are from the payment of fees for the actual cost of services performed to provide oil and gas reservoir data requested by industry, royalty owners, other governmental agencies, and the public.

Monies in this fund are appropriated to the Commission to be used for purchase of equipment and supplies directly related to storage and dissemination of computerized geophysical exploration, production, and well information data to industry, royalty owners, other governmental agencies, and the public.

Requests for oil and gas reservoir data are cyclical with commodity price and a revolving fund is required to most efficiently meet demand.

2005-2007 BIENNIUM

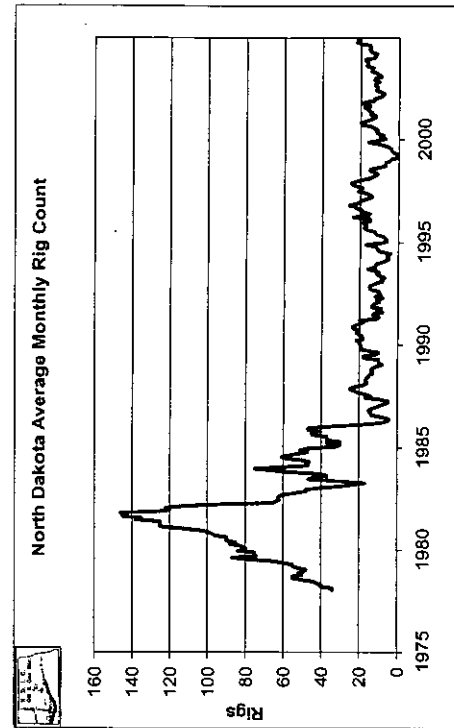
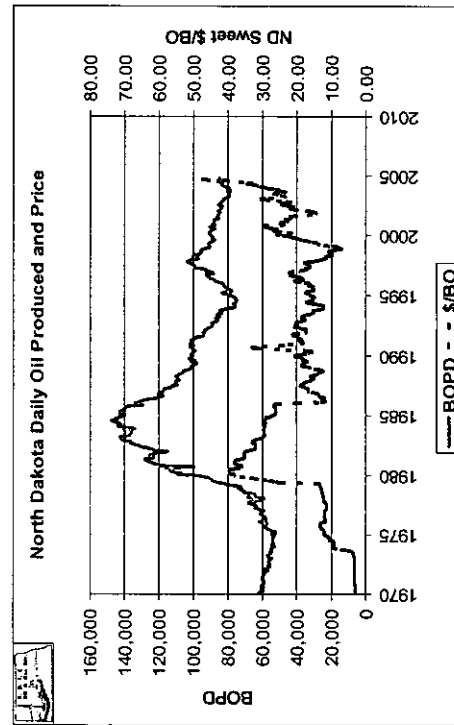


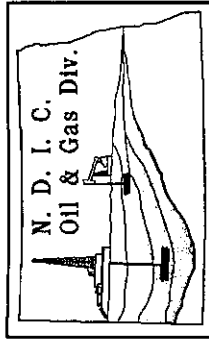
In the past year we have experienced very high oil and gas prices due to huge demand increases in China and unrest in Venezuela, Iraq, Nigeria, and Russia.

Fortunately the majority of North Dakota's production comes from EOR projects and horizontal wells. Both yield long term, stable production. Oil production is expected to average 90,000 barrels per day and oil price is expected to slowly decline to approximately \$30 per barrel by the end of the 2005-2007 biennium.

The workload of the Oil and Gas Division continues to increase as idle wells are returned to production or plugged and reclaimed, drilling rig count has increased to 20-25 with over 90% being horizontal, and more unitization/EOR proposals of increasing complexity are being filed.

Future critical issues are the high probability our rig count will exceed 30 by year end 2006, competitive salaries, professional development for experienced personnel, implementation of electronic reporting and permitting, and lack of growth in federal funding for mandated programs.





Oil & Gas Division Geological Survey Merger

HB 1015 - 2003 Legislative Assembly

SECTION 14. INDUSTRIAL COMMISSION REVIEW - OIL AND GAS DIVISION AND GEOLOGICAL SURVEY MERGER - BUDGET SECTION REPORT.

The industrial commission shall review the implementation of the merger of the oil and gas division and the geological survey to be accomplished by July 1, 2005.¹

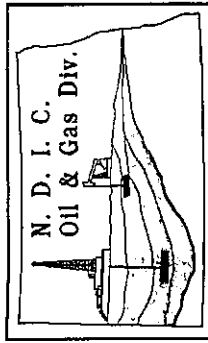
In conducting the review, the industrial commission shall

consider allowing the oil and gas director to appoint the state geologist,² recommend a name change for the merged oil and gas division and geological survey,³ and identify efficiencies and savings that will result from the merger.⁴

Before November 1, 2004, the industrial commission shall present a report to the budget section⁵ regarding the recommendations for the oil and gas division and geological survey merger.

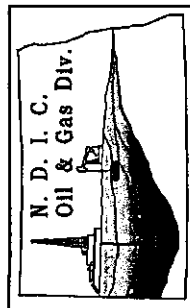
The industrial commission shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the fifty-ninth legislative assembly⁶.

- 1) Merger Process shown below. Bold items yet to be completed.
- 2) Attachment A - proposed organization chart
- 3) From comments - Department of Mineral Resources
- 4) Attachment A - proposed organization chart - \$240,000/year - 5 positions
- 5) Budget section met 4/13/04
- 6) Attachment A - Amend 7 and repeal 1 section of NDCC



Merger Process:

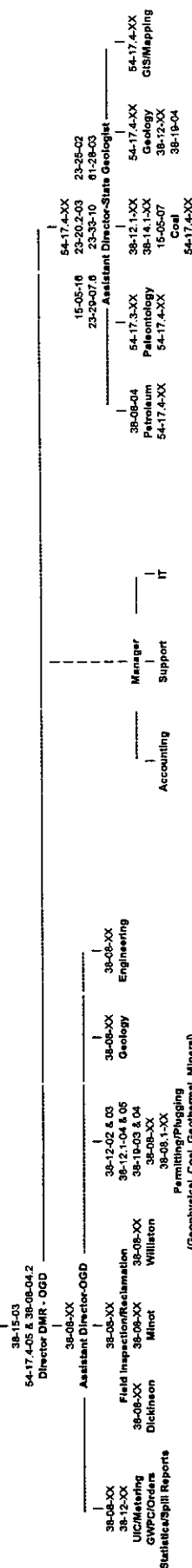
- 1) Completed a 1st draft of the new organization chart, recommendations on legislative changes, and potential efficiencies that could be achieved.
- 2) Gathered input from John Bluemle and Karlene Fine on the draft.
- 3) Presented the proposal to the Commission for preliminary approval and authorization to seek public comment 8/28/03.
- 4) Sent out notice, posted the proposal on websites, held a hearing 9/25/03, and accepted comments until 12/24/03. Input sought from agency staff members; Departments of Agriculture, Commerce, IT, Health, Land, Tax, and Transportation; Legislators; University System; Public Service and Water Commissions; Historical Society; Auditor's Office; and Industry Associations.
- 5) Gathered input from John Bluemle and Karlene Fine on the revised proposal.
- 6) Presented the revised proposal based on comments to the Commission for final approval 3/24/04.
- 7) Reviewed the approved plan with agency staff(s) 3/26/04.
- 8) Presented the approved plan to the Interim Budget Committee 4/13/04.
- 9) Prepared and submitted 2005-07 budget based on the approved plan 5/04 - 4/05.



Attachment A

North Dakota Industrial Commission

PROPOSED ORGANIZATION

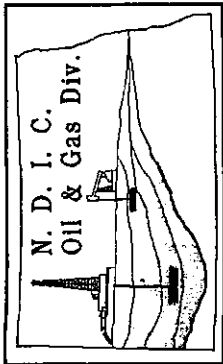


CENTURY CODE REVISIONS

SB 2014 Section	Recommended	Current	Task	Resource	Description
15	Amend	OGD	38-08-04.2	management	Oil & Gas Director appointment, salary, State Geologist as Director, and delegation from NDIC
16 and 17	Amend	GS	38-12-02 & 03	minerals	subsurface mineral exploration, data, development, and production
18 and 19	Amend	GS	38-12-04 & 05	coal	coal exploration drilling, reclamation, and data
HB 1080	Amend	OGD	38-06-13 & 14	hearings & orders	make them expressly consistent with 28-32.40 and -42
20	Amend	GS	38-15-03	minerals	definitions and resolving conflicting interests of producers
21 and 22	Amend	GS	38-19-03 & 04	environmental	geothermal energy drilling and data
23, 24, 25, 26, and 27	Amend	NDIC	54-17.4-01.5, 6, 7	management	State Geologist qualification, selection, and salary
Technical Corrections	Repeal	GS	23-29-07.7	environmental	review municipal waste landfills by 7/1/05 with state engineer
	No Change	GS	15-05-09	minerals	Land reclamation can lease for mineral development and regulate development and drilling
	No Change	GS	23-33-10	environmental	public water watershed protection program with state engineer
	No Change	GS	15-05-07	coal	assist land board on state land leased under 15-05-09
	No Change	GS	15-05-16	minerals	radioactive waste underground storage, retrieval, and disposal facilities
	No Change	GS	23-20-2-03	environmental	air pollution control advisory council
	No Change	GS	23-25-02	environmental	solid waste disposal siting criteria with state engineer
	No Change	GS	23-29-07.6	environmental	oil and gas exploration, development, and production
	No Change	OGD	38-08-XX	oil & gas	filling of core and drill cutting samples
	No Change	GS	38-08-04	regulation	oil and gas exploration
	No Change	OGD	38-08-1-XX	regulation	protecting waters affected by surface coal mining
	No Change	GS	38-14-1-03	environmental	conservation and utilization of other minerals in surface coal mine permit areas
	No Change	GS	38-14-1-21	minerals	surface coal mine reclamation permit modification
	No Change	GS	54-17.3-XX	minerals	paleontology resources
	No Change	GS	54-17.4-XX	other	scientific and economic geology
	No Change	GS	54-17.4-XX	studies	management of agency
	No Change	GS	54-17.4-XX	studies	grants, funds, and contracts
	No Change	GS	54-17.4-XX	studies	public display-exchange-collection of specimens
	No Change	GS	54-17.4-XX	studies	map purchase, sale, and fund
	No Change	GS	54-17.4-XX	studies	sharing books, equipment, and physical resources with board of higher education
	No Change	GS	54-17.4-XX	cooperation	GPS system data, fees, and fund
	No Change	GS	54-17.4-XX	cooperation	member of state water pollution control board
	No Change	GS	81-29-03	environmental	

ANTICIPATED EFFICIENCIES

Annual Savings	Description
\$68,807	(1) Administrative - vacant
\$67,641	(1) Petroleum Geology - vacant
\$63,492	(2) Support and (1) Technician - (1) vacant, (2) RIF



**Oil and Gas Research Council
Oil & Gas Division
Geological Survey
Project Demonstration**



INDUSTRIAL COMMISSION OF NORTH DAKOTA

OIL AND GAS RESEARCH COUNCIL

Governor
John Hoeven
Attorney General
Wayne Stenehjem
Agriculture Commissioner
Roger Johnson

Oil and Gas Research Council Report To the 59th Legislative Assembly

The 58th Legislative Assembly by passage of Senate Bill 2311 authorized the establishment of the Oil and Gas Research Council and appropriated \$50,000 to the Oil and Gas Research Fund. Senate Bill 2311 set forth the following goals:

- Promote efficient, economic, and environmentally sound exploration, development, and use of North Dakota's oil and gas resources.
- Preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources.
- Ensure economic stability, growth, and opportunity in the oil and gas industry
- Encourage, and promote the use of new technologies and ideas that will have a positive economic and environmental impact on oil and gas exploration, development, and production in North Dakota.
- Promote public awareness of the benefits and opportunities provided by the North Dakota oil and gas industry.

Using those goals the Industrial Commission and Oil and Gas Research Council adopted the following mission statement for the Oil and Gas Research Program:

To promote the growth of the oil and gas industry through research and education

As the legislation authorized, the Governor named the first nine-person Oil and Gas Research Council. Those Council members are:

Five members representing the oil and gas industry:

Wayne Biberdorf, Williston, Amerada Hess, serves as Chairman
Al Anderson, Mandan, Tesoro, serves as Vice Chairman
Ryan Kopseng, Bismarck, Missouri River Royalty
Bob Mau, Kenmare, Eagle Operating
Ron Ness, Bismarck, North Dakota Petroleum Council

Two members representing local jurisdictions:

Ron Anderson, Keene, a McKenzie County Commissioner
Dean Koppelman, Dickinson, ND Association of Oil & Gas Counties

Two non-voting members

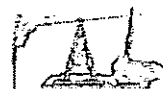
Ed Murphy, Acting State Geologist
Lynn Helms, Oil and Gas Division Director

Wayne Biberdorf, Chairman
Ed Murphy
Ryan Kopseng

Al Anderson, Vice Chairman
Lynn Helms
Bob Mau

Ron Anderson
Dean U. Koppelman
Ron Ness

Oil and Gas Research Council (OGRC)
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@state.nd.us PHONE: 701-328-3722 FAX: 701-328-2820
"Your Gateway to North Dakota": discovernd.com



During the 2003-2005 biennium the Council has met and in addition to developing a mission statement has adopted policies and priorities. A summary of the priorities are attached. A website has also been developed which includes updates and summaries on the projects. That website is <http://www.state.nd.us/ndic/ogrp-infopage.htm>

With the \$50,000 that was appropriated during the 2003-2005 biennium the Oil and Gas Research Program Projects funded include:

- Train the Trainer for Oilfield Emergencies \$4,000
- Custom ND ArcIMS Map System \$7,000
- Gateway to Science ND Studies & Energy Industry \$10,000
- Petroleum Council Teacher Education Seminar \$5,152
- Digital Thin Section and Core Photos \$10,000
- Participation in the North American Prospect Expo \$5,000

Each dollar expended from the Program on the projects has been matched at a minimum on a one-to-one basis. These projects have focused on four areas:

- 1) safety in the oil field—training of firefighters that might be called upon to fight a fire on a well site.
- 2) improving mapping access to the extensive database of information available at the state level of oil and gas development in the state. With this improved access our citizens can be better informed and companies will have access to a 24-hour mapping service for preparation of hearing exhibits or maps they wish to use for in-house presentations or to market North Dakota prospects.
- 3) educating the public about the oil and gas industry—working with teachers and schools to inform young people about the industry and, hopefully, encouraging students to consider the oil industry for their careers.
- 4) through outreach and using improved technology promoting the valuable oil and gas resources available in North Dakota

The Council is further recommending to the Industrial Commission that future funding be allocated as follows:

- 65 % for Research;
- 20 % for Education; and
- 15 % for Administration/Technical Assistance

There are a number of very exciting research and marketing opportunities for the Council and Commission to consider during future biennia. There is a significant need for additional workers in the oilfield (finding and training individuals for these jobs is critical); new technology is opening doors for enhanced oil and gas recovery as well as identifying new areas of development; and seeking out new investment in North Dakota not only revitalizes the industry but produces more revenue for the State. The Council and the Commission look forward to seeing even more progress being made in reaching our goals during the upcoming biennium

NORTH DAKOTA INDUSTRIAL COMMISSION OIL AND GAS RESEARCH COUNCIL

Mission Statement

The Mission of the Oil and Gas Research Council is to promote the growth of the oil and gas industry through research and education.

Statutory Goals & Purposes

- Promote efficient, economic, and environmentally sound exploration, development, and use of North Dakota's oil and gas resources.
- Preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources.
- Ensure economic stability, growth, and opportunity in the oil and gas industry
- Encourage, and promote the use of new technologies and ideas that will have a positive economic and environmental impact on oil and gas exploration, development, and production in North Dakota.
- Promote Public Awareness of the benefits and opportunities provided by the North Dakota oil and gas industry.

Grant priority is to be given to those development projects, processes, ideas, and activities which meet the following goals and objectives:

- Generate information and knowledge that will have the highest probability of bringing new oil and gas companies and industry investment to North Dakota.
- Have the highest potential for creating new oil and gas jobs, wealth, and tax revenues for North Dakota.
- Most effectively educate the general public about the benefits and opportunities provided by the North Dakota oil and gas industry.
- Positively effect ultimate recovery from North Dakota's existing oil and gas pools.
- Preserve existing jobs and production levels.
- Identify oil and gas exploration and production technologies presently not used in North Dakota.
- Identify oil and gas potential in non-producing counties.
- Attract matching private industry investment equal to at least 50% or more of total cost.
- Maximize the market potential for oil, natural gas, and the associated byproducts produced therewith
- Improve the overall suitability of the oil and gas energy industry in North Dakota through the development of new environmental practices that will help to reduce the footprint of oil and gas activities
- Develop baseline information that will lead to other projects, processes, ideas, and activities.

For more information contact Karlene Fine, Executive Director, North Dakota Industrial Commission at 701-328-3722 or kfine@state.nd.us. The website for the Oil and Gas Research Program is www.state.nd.us/ndic/ogrp-infopage.htm

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Ynn D. Helms
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks
ASSISTANT DIRECTOR

Representative Carlisle
Chair, House Appropriations - Government Operations

March 3, 2005

Re: SB 2014

You asked me to provide additional information about the need for a contingency appropriation to deal with the anticipated upsurge of oil and gas activity during the 2005-2007 biennium.

At the present time there are 45 drilling rigs operating in the US portion of the Williston Basin

- 24 in Richland County Montana, 19 in North Dakota, and 2 in South Dakota
- Attempts to bring in additional rigs have been unsuccessful so far

The Middle Bakken oil play is the biggest to hit the Williston Basin since Cedar Hills, underlying

- 300-350 square miles in Montana and
- 250-300 square miles in McKenzie, Billings, Divide, and Williams County, North Dakota

Oil and gas operators have drilled approximately 150 wells in Montana and 6 in North Dakota for the following reasons:

- Industry took 2-3 years developing **technology** to drill 400-1,500 barrel/day wells
- Most Montana **leases** are private and state with 3-5 year terms and will expire soon
- The **geology and productive area** in Montana is better defined than in North Dakota
- The current **tax** on new horizontal wells is much lower in Montana than in North Dakota (0.5% vs 11.5% the 1st 18 months and 4% vs 11.5% thereafter)
- North Dakota wells drilled so far produce only 1/5-1/4 as much as the Montana wells
- Approximately 150-200 of these highly profitable Montana locations remain to be drilled
 - Each rig can drill 6-8 wells per year
 - The 25 rigs in MT could remain employed there for 12-18 months

Recent bids to lease federal and state minerals in North Dakota are extraordinary

- The Federal government disburses lease and royalty revenues to the state and counties
 - 87% of federal land in ND is acquired grasslands – 25% of revenue goes to the county of origin and 75% to the US Treasury
 - 13% of federal land in ND is domain – 50% of revenue goes to the state and 40% to the US Reclamation Fund and 10% to the US Treasury
- NDCC 15.1-27-25 directs state receipts 50% to the county of origin and 50% to state aid to schools
- Lease and royalty revenues from state lands are placed in the Lands and Minerals Trust
 - Funds in the trust may be expended as the legislative assembly may provide
 - State regulation of geophysical exploration was initially funded from here
 - An alternative would be to amend one of the Emergency Commission bills SB 2098 or HB1278 to transfer \$550,000 from the permanent oil tax trust fund to the emergency commission for contingency funding of FTEs as we need them. I believe a 6/30/05 trust fund balance of \$41 million is projected

During the next 12-18 months we hope operators can develop the technology to drill commercial Middle Bakken wells in North Dakota

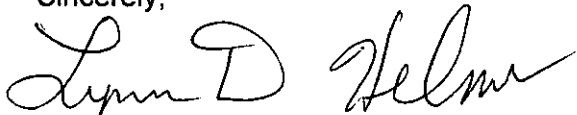
- If oil prices remain above \$30/barrel most of the 25 rigs working MT will move into ND
- Our rig count could quickly grow from the current 15-20 to 35-40
 - The regulatory oversight of horizontal wells is much greater than for vertical wells like those drilled in the early 1980's
 - Every drilling site requires some reclamation. Dry holes are completely reclaimed and producers must have the reserve pit reclaimed and pad reduced
 - We now regulate underground injection
 - We now witness every plugging
 - We now regulate geophysical exploration
 - We now regulate oil and gas measurement

Additional personnel may be necessary as follows:

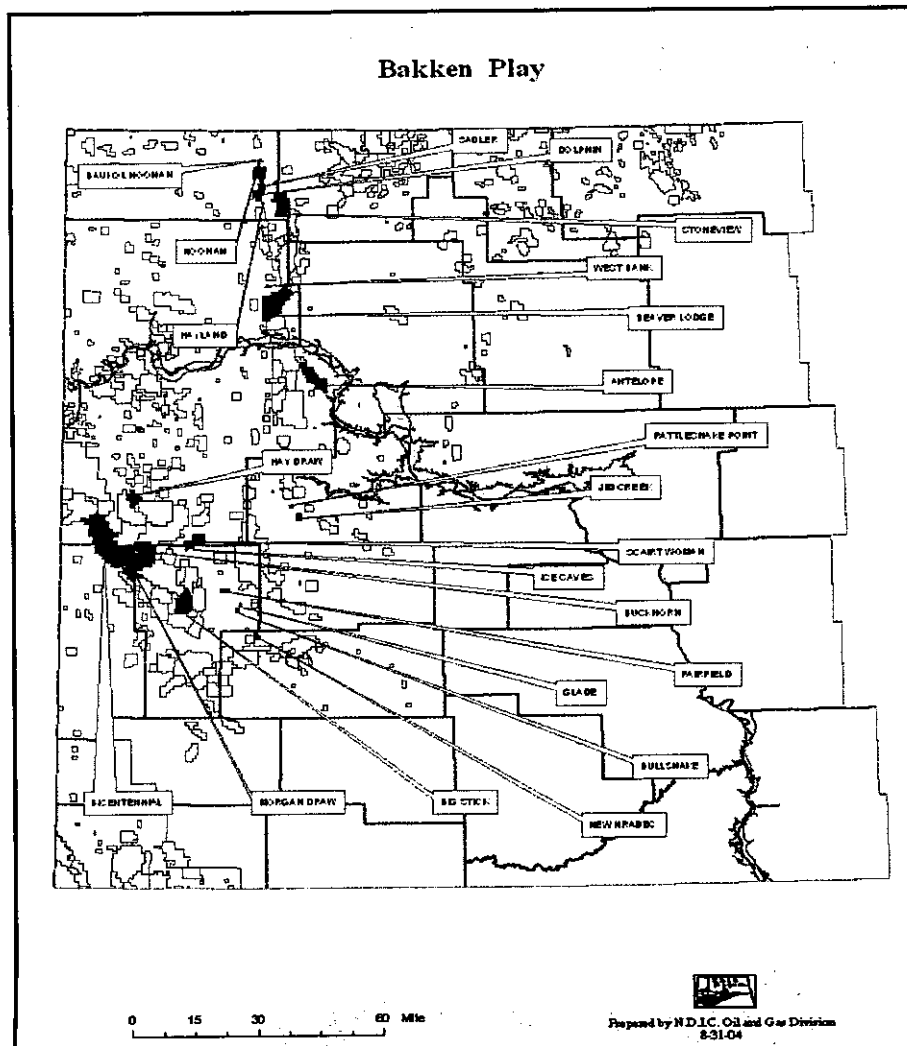
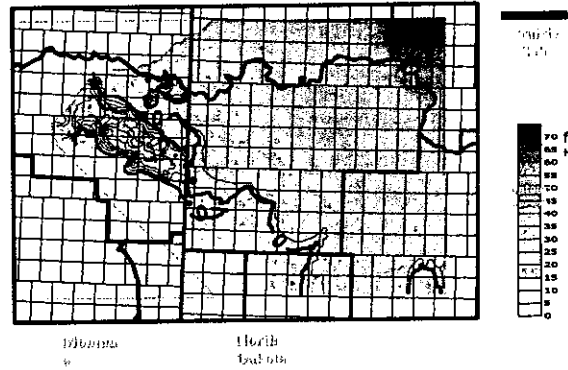
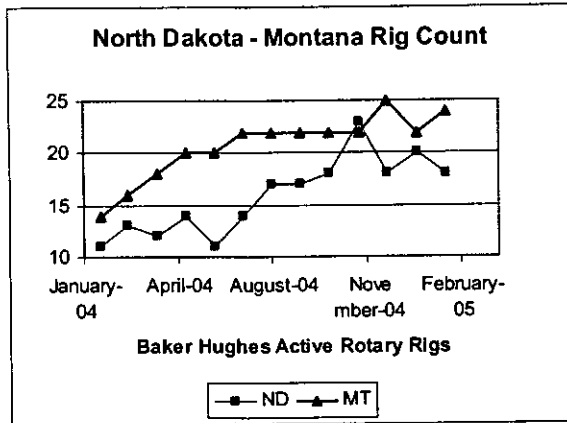
Number	Description	At Rig Count	Salary & Benefits	Operating
1	Field Inspector	>30	\$90,000	\$20,000
1	Plugging & Reclamation Supervisor	>30	\$100,000	\$15,000
1	Field Inspector	>35	\$90,000	\$20,000
1	Petroleum Geologist	>35	\$120,000	\$15,000
1	Support Staff	>35	\$65,000	\$15,000

If I can provide any further information or assistance please let me know.

Sincerely,


Lynn D. Helms

Bakken Middle Member
Pride Salt



OIL AND GAS DIVISION

#1
H. App. b.O.
3/14/05
SB 2014Lynn D. Helms
DIRECTOR

www.oilgas.nd.gov

Bruce E. Hicks
ASSISTANT DIRECTORRepresentative Carlisle
Chair, House Appropriations - Government Operations

March 11, 2005

Re: SB 2014

You asked me to provide some language that could be used for a contingency appropriation to deal with the anticipated upsurge of oil and gas activity during the 2005-2007 biennium.

I suggest the same method that was used during the 1991 session to incorporate a contingency line item in the Industrial Commission budget.

- 1) Add a \$225,000 line item titled **oil and gas contingency** to subdivision 1-section 1.
- 2) Add a section to the bill as follows (I suggest Section 17 and renumbering the current sections 17-30 as 18-31):

Contingency - Emergency Commission Approval Required - Oil and Gas Division. The sums appropriated in subdivision 1 of section 1 of this Act for the oil and gas contingency are appropriated from general funds that shall be transferred into the general fund from the land and mineral trust fund and are to be contingent upon emergency commission approval if funds are required due to an increase in oil and gas exploration or production activity represented by the average drilling rig count exceeding 30 active rigs for each month in any consecutive three-month period.

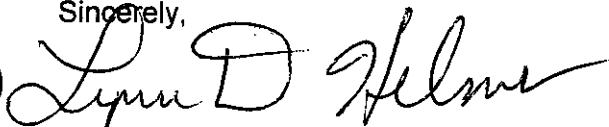
As I pointed out in my previous letter and our subcommittee discussions the possible additional personnel needed are prioritized as follows:

Number	Description	At Rig Count	Salary & Benefits	Operating
1	Field Inspector	>30	\$90,000	\$20,000
1	Plugging & Reclamation Supervisor	>30	\$100,000	\$15,000
1	Field Inspector	>35	\$90,000	\$20,000
1	Petroleum Geologist	>35	\$120,000	\$15,000
1	Support Staff	>35	\$65,000	\$15,000

I would really appreciate your consideration of a second contingency line item for \$325,000 to add the 3 FTE needed if the rig count then exceeds 35 for 3 months. The same language could be repeated.

If I can provide any further information or assistance please let me know.

Sincerely,



Lynn D. Helms



North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

Roger Chinn
President
McKenzie County

Diane Affeldt
Garrison

Brad Bekkedahl
Vice-President
Williston

Anthony Duletski
Bowman PSD

Kevin Keenaghan
McKenzie County PSD

Verdean Kveum
Bottineau County

Loren Mathson
South Heart PSD

Ken Radenz
Burke County

Greg Sund
Dickinson

Reinhard Hauck
Secretary/Treasurer
Manning

Dean Koppelman
Dickinson PSD
Association Representative
to ND Oil and Gas
Research Council

Senate Appropriations Committee
January 7, 2005

Thank you for your support last legislative session for the N.D. Oil and Gas Research Council funding. We received a grant from that appropriation to train firefighters on oilfield fire safety in a project "Train the trainers- Oilfield Emergencies". This project was in conjunction with the North Dakota Firefighters Association and TESORO refinery, Mandan, ND.



Two North Dakota firefighters were trained in Wooster, Ohio June 26, 2004 at a regional oilfield fire training facility

VICKY STEINER - EXECUTIVE DIRECTOR

859 Senior Ave. - Dickinson, ND 58602-1333 - Phone: (701) 483-TEAM (8326) - Fax: (701) 483-8328 - Cellular: (701) 290-1339
E-mail: vsteiner@ndsupernet.com - Web: www.ndoilgas.govoffice.com

Linda Svihovec - Permit Operator

P.O. Box 504 - Watford City, ND 58854 - Phone: 701-444-3457 (work) - Phone: 701-444-4061 (home) - Fax: 701-444-4113 - Email: lsvihov@4eyes.net

SB 2014 Lignite R & D Program Funding

I. Lignite Industry Update

A. Current Lignite Industry in North Dakota

- 30 million tons of lignite coal
 - Serves 2 million people with electricity
 - Serves 225,000 homes with SNG (Synthetic Natural Gas)
 - Produces 1,300 tons per day of agricultural fertilizer
- 4,000 people employed / each direct job means 4.5 indirect jobs/22,000 total direct/indirect

*Same
given
to the
House*

B. Annual Economic Contribution to North Dakota

- \$584 million in direct expenditures / each dollar spent multiplies into three dollars for our economy for a total of \$1.75 billion.
- \$580 million in personal income
- \$76+ million in state tax revenues

II. What is the future for North Dakota's lignite industry? Depends on...

A. Having competitive product (coal-based electricity)

- Lignite competes against all forms of generation in Mid-Continent Area Power Pool-MAPP
 - Montana & Wyoming subbituminous coal-based power
 - Canadian hydro-power
- Lignite needs to be competitive because power is exchanged on a cost-saving basis; Power is sold on ½ mill KWH margin (45 cents per ton for lignite)
- Lowest cost energy has greatest demand / Potential for growth

B. Future Environmental issues impacting our competitiveness / growth potential

- Mercury
 - Proposed EPA approach of "one size fits all" disadvantages lignite – need cost-effective mercury control technologies
- Implementation of Regional Haze Rules will require additional NOx/SO₂ control technology on older facilities
- Potential CO₂ controls – CO₂ capture technology will become more important

SB 2014 Testimony (Cont.)

C. Other regional factors impacting our competitiveness / growth potential

- Transmission constraints
- Emission fees / Externalities / Mandated Renewables
 - Neighboring states (Legislative & Regulatory Policies)

D. The Bottom Line

- The future of North Dakota's lignite industry depends on our ability to use lignite....
 - More cleanly
 - More efficiently
 - More economically
- *Means that we need to continue to invest in our research, development and marketing program to ensure the most economic, efficient & environmentally friendly coal.*

III. What is the legislative policy guiding our Research, Development and Marketing Program?

Three principles:

- Help solve problems for our *existing* facilities so we can maintain jobs, economic activity and tax revenue (Research Projects)
- Assist with developing *new* lignite-fired power plants that will create additional jobs, tax revenue and business volume (Demonstration Projects, i.e. Lignite Vision 21 Program)
- Help provide favorable *marketing* strategies for increased use of coal-based electricity (Marketing Program)

IV. So what is money used for in primary areas of Research, Development, and Marketing?

A. Marketing Activities – What are the benefits?

- Marketing program includes four advertising flights annually (concentrated in primary market areas in ND & MN)
 - Research shows over 75% in ND favor coal-based electricity
 - Research shows over 80% favor construction of a new plant in North Dakota
- Development and implementation of successful marketing plan helps preserve and enhance lignite markets
 - Messages include affordability, reliability, environmental and abundant economic benefits

SB 2014 Testimony (Cont.)

B. Research Projects for existing facilities (See pages 9 to 11) – What are the benefits?

- Byproduct diversification at Great Plains Synfuels Plant increases plant revenues for Dakota Gasification Company (DGC)
 - Example is cresylic acid (pharmaceuticals, food flavoring, perfumes)
- Reclamation projects result in cost-effective practices while achieving environmental goals (NDSU)
- Combustion / Environmental Projects help provide solutions that increase efficiencies, reduce emissions, and increase use of combustion byproducts (EERC)
 - Examples are coal drying/feedlot use of fly ash/mercury control technology development (\$26 million leveraged from \$2 million of NDIC funds)

C. Development (Demonstration Projects See page 11) – What are the benefits?

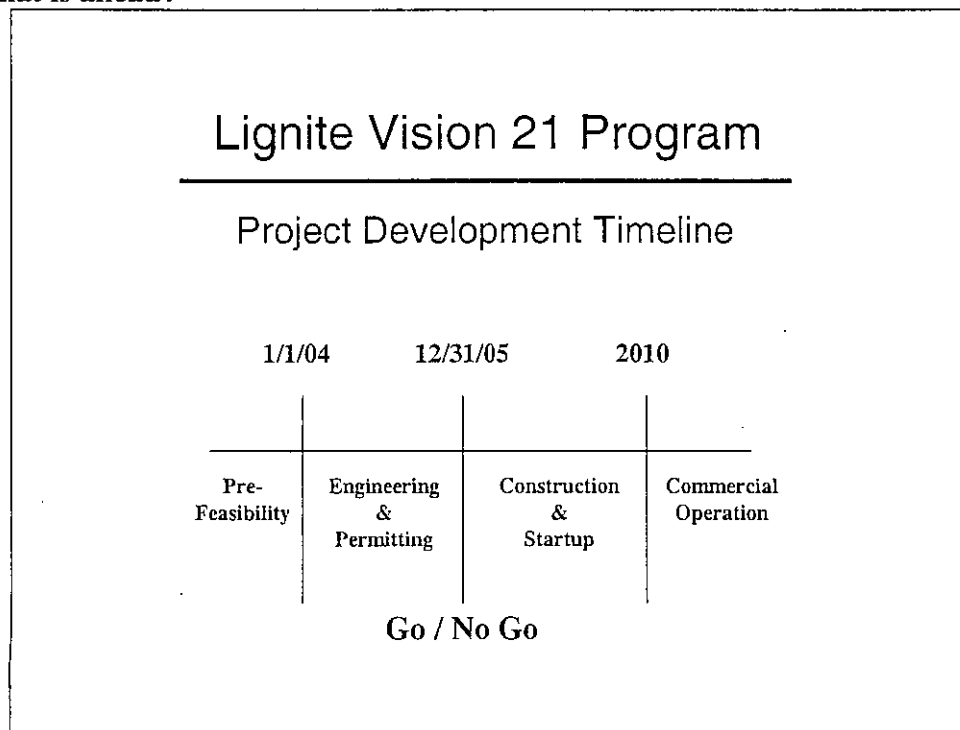
- Investment in \$129 million anhydrous ammonia facility results in byproduct diversification that preserves existing production, jobs & tax revenue at DGC (6.5 million tons of coal/4,000 jobs/\$17.5 million in tax revenue)
- Investment in lignite upgrading reduces coal moisture and ash content to produce a higher Btu fuel that reduces pollutant emissions and increases plant efficiencies (avoids coal switching, preserving jobs and tax revenues)
- Investment in lignite gasification tests at a DOE test facility to evaluate a Clean Coal Technology concept called Integrated Gasification Combined Cycle (IGCC)

D. Lignite Vision 21 Program (LV21) – Primary purpose is to assist with developing new projects with cost-effective clean coal technologies to meet demands for additional energy in our region

- **What is in it for State? Why is LV21 important?** One 500 megawatt power plant means:
 - 1,300 jobs
 - \$140 million more business volume
 - \$6 million more annual tax revenue for North Dakota
 - 3 million more tons of coal
- **What is North Dakota's commitment to LV21?**
 - Unqualified support from Legislature and Industrial Commission (Governor, Attorney General & Ag Commissioner)
 - Agency support shortens lead times / reduces risk
 - \$10 million in *matching* funds for development phase for each project upon Industrial Commission approval

SB 2014 Testimony (Cont.)**E. What is status of Lignite Vision 21 Program?**

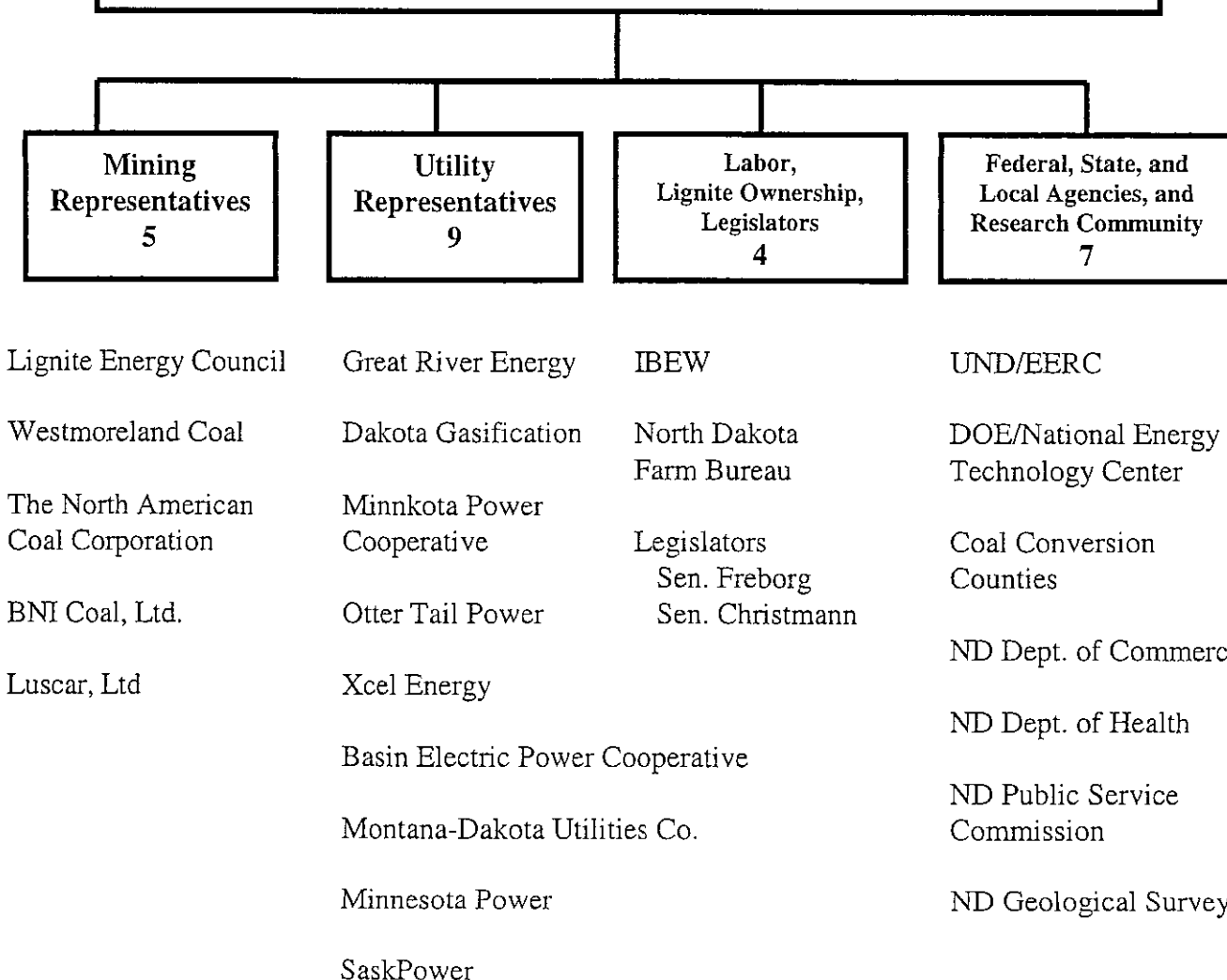
- Two LV21P participants under contract with NDIC
 - MDU/Westmoreland Coal Company (MDU/W) – Bowman County and Great Northern Power Development (GNPD)– Stark County
 - Completed most preliminary feasibility studies
 - Environmental, generation, water quality & availability, coal ash, power plant foundation, mine plan, transmission, drilling, lignite sampling & testing, coal quality, and socioeconomic impact studies
 - Engineering and permitting
 - MDU/W filed an air quality permit-to-construct application in May 2004 with ND Department of Health
 - GNPD intends to submit air quality permit-to-construct by 2nd quarter 2005
 - UGPTC/MISO Northwest Exploratory Study (transmission expansion plan for 500 MW lignite/1500 MW wind)
 - Evaluation and selection of alternate transmission plans
 - Primary challenges are environmental and transmission
 - Making good progress on environmental issues
 - Transmission major impediment; progress – but slow; estimated costs of \$50 million to \$350 million to resolve transmission constraints; need favorable tariff

F. What is ahead?

SB 2014 Testimony (Cont.)**V. How is North Dakota's R&D Program administered?****A. Partnership between the private and public sectors****B. Roles of Industrial Commission & Lignite Research Council**

- Industrial Commission
 - Administers research, development, and marketing program
 - Approves or disapproves research and development projects and activities
 - Accepts and distributes funds and enters into contracts
- Lignite Research Council is an advisory group to the Industrial Commission
 - Provides advice on policy and guidelines
 - Provides recommendations on project funding
 - Members are representatives from both the private and public sectors

Lignite Research Council

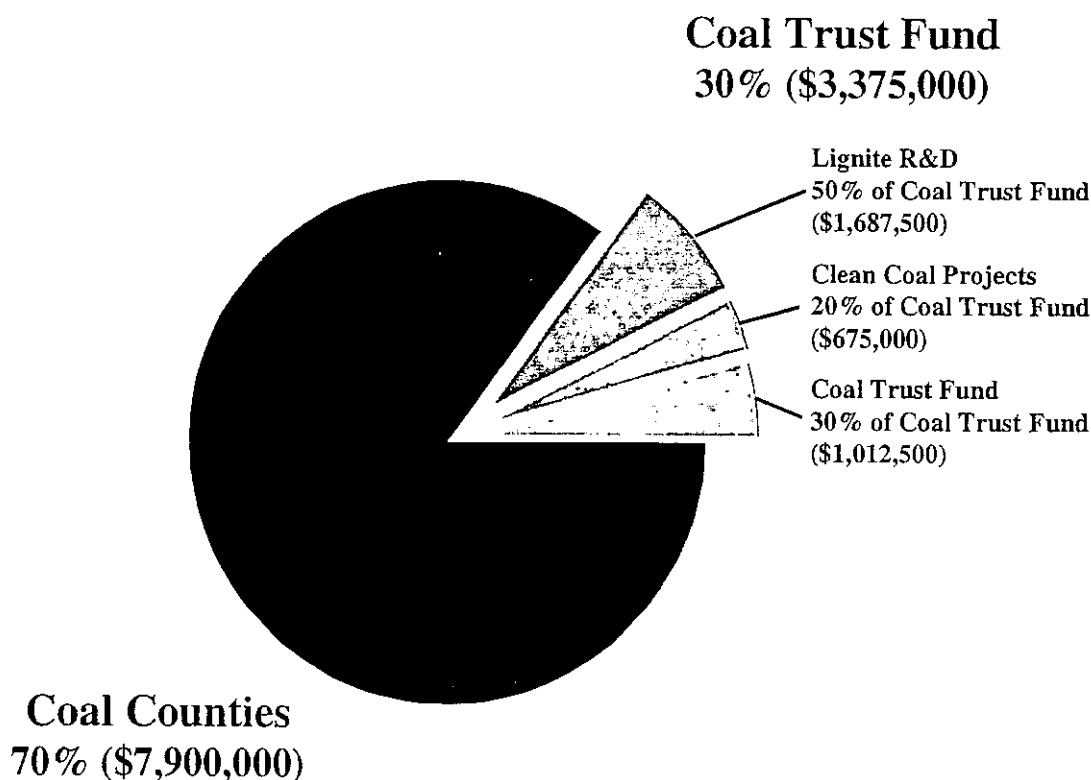


SB 2014 Testimony (Cont.)

VI. What are Funding Sources of R&D Program?

Summary of Lignite R&D Funding ND Coal Severance Tax Annual Revenue and Distribution

(Assumes 30 million tons of annual production)
Severance Tax of 37.5 cents*



Summary of Annual Revenue

Lignite R&D (50% of Coal Trust Fund)	\$1,687,500
Clean Coal Projects (20% of Coal Trust Fund)	675,000
2 Cents per ton R&D tax	600,000
Total Annual R&D Revenue	<u>\$2,962,500</u>
	<u>x 2</u>
Total Estimated Biennium Revenue	<u>\$5,925,000</u>

* Does not include 2 cent R&D tax of which 100% is allocated to R&D

SB 2014 Testimony (Cont.)

VII. How was \$16.27 million R&D appropriation allocated in present biennium (2003 to 2005)?

	<u>Amount (\$)</u>
Appropriated	\$16,270,000
Expended (Estimated)	
Research Activities	(\$2,374,000)
Demonstration	(\$3,201,000)
Marketing	(\$1,300,000)
Administration	<u>(\$300,000)</u>
Subtotal	<u>(\$7,175,000)</u>
Balance (Appropriated less expended funds)	\$9,095,000
Committed Funds not yet expended (Lignite Vision 21 Projects)	<u>(\$7,150,000)</u>
Carry-over (Committed to existing projects approved by NDIC)	<u>\$1,945,000</u>

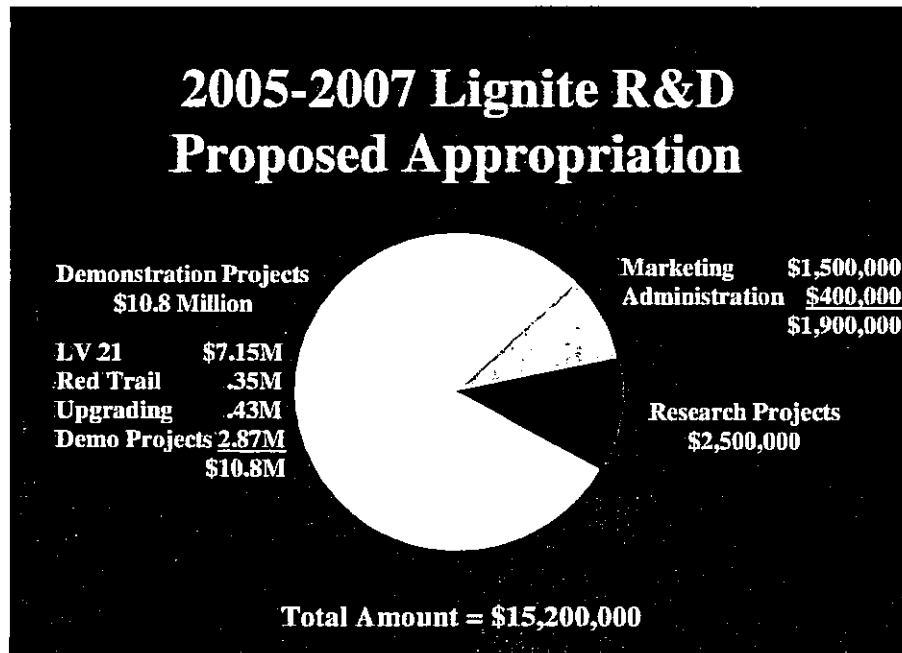
VIII. What is proposed for 2005 - 2007 Biennium for lignite R&D program?

A. Governor's Industrial Commission budget of \$15.20 million consists of:

Committed Funds not yet expended (Lignite Vision 21 Projects)	\$7,150,000
Carry-over (Committed to existing projects approved by NDIC)	\$1,945,000
New Trust Fund Revenue (50% + 20%)	\$4,725,000
New Two Cent per ton R&D Tax Revenue	\$1,200,000
Interest	<u>\$ 180,000</u>
Total Revenue	<u>\$15,200,000</u>

SB 2014 Testimony (Cont.)IX. What is proposed for 2005 - 2007 Biennium for lignite R&D program? (Cont.)

A. How will \$15,200,000 be allocated in 2005 to 2007 biennium?

X. Summary of Research, Development & Marketing Components

- **Research** - Each dollar in state funds has generated another five dollars in total research funds to solve critical challenges facing the industry, which enhances the environmental performance and efficiency in lignite power plants, results in cost-effective reclamation and leads to development of new products and markets;
- **Marketing** - Developed regional lignite marketing plan, presently being implemented; Coordination of Lignite Vision 21 Program; Identified new markets for byproducts;
- **Development (Demonstration)** - Resulted in coal demonstration projects which have (anhydrous ammonia) or will provide new markets for by-products and lignite (upgraded lignite, activated char-mercury capture); Implemented *Lignite Vision 21 Program* to develop new clean coal generation projects;
- **Bottom Line** - State's Lignite R & D Program has resulted in an *effective partnership* to *preserve* and *enhance* jobs, economic growth, and tax revenue for the benefit of industry, and our state.

Additional information is also available on the R&D Program Web site:
<http://www.state.nd.us/ndic/lrc-infoP.htm>

SB 2014 Testimony (Cont.)**Summary of 2003 - 2005 Research Projects****FY03-XLVII-116 "Long-Term Mercury Monitoring at North Dakota Power Plants."**

Program Funding: \$129,000; Total Project Costs: \$446,667. Objective: Conduct long-term monitoring of mercury emissions at the Milton R. Young Unit 2 and R. M. Heskett Unit 2 plants to determine emission levels and variations due to coal and operations and to quantify levels of oxidized versus elemental mercury.

FY03-XLVIII-117 "Mercury and Air Toxic Element Impacts of Coal Combustion By-Product Disposal and Utilization." Program Funding: \$37,500. Total Project Costs: \$1,600,000. Objective: Evaluate potential impacts of mercury and other air toxic elements on the management of coal combustion by-products (long-term storage and utilization products).

FY03-XLIX (49)-118 "Mercury Control Technologies for Electric Utilities Burning Lignite Coals – Phase II, Field Testing of Slipstream Technology"

Program Funding: \$200,000. Total Project Costs: \$1,100,000.

Objective: Using a slip-stream baghouse (up to nominal 10 MW), demonstrate a low-cost mercury control using activated char at Saskatchewan Power's lignite-fired Poplar River power.

FY-03-XLIX(49)-119 "Impact of SCR Catalyst on Mercury Oxidation in Lignite-Fired Combustion Systems"

Program Funding: \$30,000; Total Project Costs: \$100,000. Objective: Mercury measurements will be conducted upstream and downstream of the slipstream SCR catalyst bed to determine if mercury oxidation occurs and to quantify long-term declining oxidation due to aging of the catalyst or due to lignite-derived flue gas contaminants.

FY03-LRC-XLIX (49)-120 Pilot- and Full-Scale Demonstration of Advanced Control Technologies for Lignite-Fired Power Plants" Program Funding: \$150,000; Total Project Costs: \$1,300,000. Objective: Based on previous efforts, continue development of the selected elemental mercury emission control processes: 1) Activated carbon injection upstream of an ESP combined with sorbent enhancement; 2) Mercury oxidation and control using wet and dry scrubbers; 3) Enhanced oxidation at a full-scale power plant using tire-derived fuel (TDF) and oxidizing catalysts; and 4) Mercury absorption using advanced absorption inserts inside baghouse fabric filters.

FY03-LRC-XLIX (49)-121 "Lignite Fuel Enhancement: Incremental Moisture Reduction Program – Phase II" Program Funding: \$235,626. Total Project Costs: \$471,252. Objective: Using power plant waste heat, economically reduce the amount of moisture, sulfur, mercury and ash content thereby reducing emissions and increasing plant efficiency.

FY03-LRC-XLIX (49)-122 "Thermal Pre-Combustion Mercury Removal Process for Low Rank Coal-Fired Power Plants" Program Funding: \$139,403; Total Project Costs: \$956,962. Objective: Evaluate a precombustion thermal-based technology for the removal of mercury from low rank coals, both subbituminous and lignite.

FY04-LRC-L (50)-124 "Enhancing Carbon Reactivity in Mercury Control in Lignite-Fired Systems"

Program Funding: \$600,000; Total Project Costs: \$5,732,195. Objective: Substantially enhance the capability of carbon sorbents to remove Hg from lignite combustion flue gas to achieve a high level of cost-effective control in full-scale field tests.

FY-04-L(50)-125 "Large-Scale Mercury Control Technology Testing for Lignite-Fired Utilities—Oxidation Systems for Wet FGD" Program Funding: \$172,500; Total Project Funding: \$2,150,767; Objective: Demonstrate a mercury "chemical addition" oxidation process in flue gas upstream of pollution control equipment, specifically, electrostatic precipitators followed by wet scrubbers. Host sites are Minnkota Power Cooperative MYR (*cyclone-fired*, ESP wet scrubber) Unit 2 and Texas Utilities Monticello (*wall-fired*, ESP, wet scrubber) Unit 3.

SB 2014 Testimony (Cont.)

FY-04-L(50)-126 "Addendum: Evaluation of Pilot Wet Scrubber in Conjunction with Mercury Oxidation Catalysts." Program Funding: \$42,000; Total Project Funding: \$84,000. Objective: This effort is an amendment to contract FY01-XXXVIII-105. The combined project will evaluate wet scrubber capture efficiency of elemental mercury oxidized by low-temperature catalysts located after an electrostatic precipitator. Recent DOE data challenges the assumed high-efficiency capture of catalytically oxidized mercury in a wet scrubber.

FY-04-L(50)-127 "Alternative Cover Demonstration Project at Coal Creek Station" Program Funding: \$250,000; Total Project Funding: \$500,000. Objective: A field demonstration to evaluate and demonstrate the performance of alternative earth landfill cover designs while maintaining equal or a better level of environmental performance for long-term storage of coal combustion byproducts.

FY-04-L(50)-128 "Plains CO₂ Reduction Partnership (PCORP)" Program Funding: \$240,000; Total Project Funding: \$2,748,139. Objective: Identify cost-effective CO₂ sequestration systems in the Northern Great Plains region, including: 1) Characterize and match sources, sinks & storage options; 2) Identify and address issues for sequestration deployment; 3) Identify promising capture, sequestration and transport options; and 4) Develop public involvement & education mechanisms.

FY05-LI(51)-129 "Lignite Coal Test at a Transport Reactor Gasification Facility in Wilsonville, AL" Program Funding: \$125,000; Total Project Funding: \$250,000. Objective: Conduct short & long-term tests using an advanced IGCC Clean Coal Technology gasification system, Transport Reactor Integrated Reactor (TRIG), at a DOE facility in Wilsonville, AL. Project will ship 700 tons & 3,000 tons of lignite to the PSDF to resolve high-sodium lignite issues, followed by a 1000 hour pre-commercial test.

FY-05-LI(51)-130 "The Health Implications of the Mercury-Selenium Interaction" Program Funding: \$50,000; Total Project Funding: \$158,846. Objective: Explore interactions between mercury & selenium in experimental models designed to closely approximate human patterns of exposure. The project will examine the effects of dietary intakes of methylmercury and the protective effects of dietary selenium.

FY-05-LI(51)-131 "Investigation of Mercury and Carbon-Based Sorbent Reaction Mechanisms" Program Funding: \$54,000; Total Project Funding: \$240,870. Improve mercury capture efficiency of carbon sorbents through a better understanding of mercury-sorbent reaction mechanisms. Project will produce information to develop more effective and lower-cost sorbent to control mercury emissions.

FY-05-LI(51)-132 "Lignite Fuel Enhancement: Dry Process Coal Cleaning" Program Funding: \$54,000; Total Project Funding: \$240,870. The proposed project will address reducing sulfur, mercury, moisture, ash & other minerals in lignite using air & magnetic separation processes & without the use of water.

FY05-LII (52)-133 "North Dakota Partnership in the Canadian Clean Power Coalition (CCPC)" Program Funding: \$75,000; Total Project Funding: \$150,000. Participate in studies of advanced technologies for future lignite power generation, including IGCC and advanced steam cycles such as ultra super-critical steam cycles in conventional and fluid bed combustion power plants.

FY05- LII (52)-134 "Assessment of Mercury Control Options & Ash Behavior in Fluidized-Bed Combustion Systems" Program Funding: \$200,000; Total Project Funding: \$1,000,000. Evaluate mercury control options in a Circulating Fluidized Bed Combustion (CFBC) system to evaluate Hg speciation, identify effective control approaches and evaluate impact of chemical oxidation chemicals on corrosion and ash bed agglomeration.

SB 2014 Testimony (Cont.)

FY05-LII (52)-135 "Mercury Oxidation via Catalytic Barrier Filters: Phase II" Program Funding: \$15,000; Total Project Funding: \$245,000. Continue development of Hg emission control using baghouse filters impregnated with catalytic oxidizers to verify promising data from small-scale proof-of-concept tests. The concept would be applicable to utilities using fabric filter with capture of Hg and fly ash in a baghouse subsystem.

FY05-LII (52)-136 "Center for Air Toxic Metals Affiliates Program – 3 Year Continuation of Membership" Program Funding: \$45,000; Total Project Funding: \$3,000,000. Continue science-based research on toxic trace metals under an EPA-Industry supported Center for Air Toxic Metals (CATM) Affiliates Program to further the understanding of the behavior of potential toxic metals in coal-fired utilities, other fossil fuel systems, waste-to-energy systems and waste incinerators. A specific objective of the CATM program is the study of the fate and control of mercury emissions from coal-fired systems. This project is a continuation of Project 62, 89 and 111.

Summary of 2003 - 2005 Demonstration Projects

FY01-XLI-107 "MDU-Westmoreland Power Plant Project": Program Funding: \$10,000,000; Total Project Costs: \$740,000,000. Objective: To evaluate the feasibility of constructing a 500 MW lignite-fired baseload power plant near Gascoyne, North Dakota.

FY02-XLII-109 "Lignite Vision 21 Feasibility Project" Great Northern Power Development: Program Funding: \$673,250; Total Project Costs: \$1,346,500. Objective: To evaluate the construction of a 500MW power plant and conduct the initial feasibility studies.

FY03-XLIX (49)-123 "Lignite Vision 21 Feasibility Project Phase II – Permitting, Business Development & Engineering" Program Funding: \$687,500. Total Project Cost: \$1,375,000. Objective: Complete Phase II business development, transmission, permitting, and design work activities to move the project into the partnering, financing and pre-construction phases.

FY05-LI(51)-132 "Lignite Fuel Enhancement: Dry Process Coal Cleaning" Program Funding: \$250,000. Total Project Cost: \$1,331,035. Objective: Reduce lignite ash, moisture and other minerals using air and magnetic separation processes without the use of water and at the mine site.

FY05-LI(51)-133 "Demonstrating N.D. Lignite's Profitability in Energy Production & Agricultural Processing (Lignite-Fired Ethanol Plant). Program Funding: \$350,000. Total Project Cost: \$85,255,700. Demonstrate the use of a lignite-fired Bubbling Bed Combustor to operate an ethanol processing plant.

Lignite Vision 21 Program

**Transmission Issues Background
for the
North Dakota Industrial Commission**

July 15, 2004

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Lignite Vision 21 Program

Transmission Issues Background for the North Dakota Industrial Commission

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I. Introduction

Electric transmission issues continue to seriously impede achieving the economic development benefits of exporting additional lignite and wind derived energy from the state of North Dakota. This background paper provides an overview of the current status of those issues and activities conducted to date to address them.

II. Background

This section provides background on the economic impact that electric energy production has on the state and the technical and regulatory issues that inhibit expansion of the transmission system to support additional energy production.

A. Economic Impact of Transmission on North Dakota

North Dakota has nearly 4700 megawatts of electric generating capacity, including 4100 megawatts of coal fired plants, 515 MW of hydroelectric capacity, and about 70 megawatts of wind generation. The state exports approximately 75% of the energy produced by those plants through a transmission system composed of facilities owned and operated by several utilities. The export capacity of the transmission system is regarded as fully subscribed by its current users, although additional capacity may be available intermittently on a nonfirm or short-term firm basis.

The State is encouraging new development of both wind and coal resources. Increasing transmission capacity is a condition precedent to the development of new generation of any kind, except to serve local load growth. What economic impact might the transmission constraint in North Dakota represent and how do we measure that impact? Quantifying those impacts precisely is beyond the scope of this background paper, but the following are some possible examples:

1. Additional Coal fired generation (500 Megawatt Plant and Mine)

Permanent employees	200 (with \$58,000- 65,000 annual average wage)
Construction employees	850 peak (4 years of construction)
Secondary jobs following construction	690
New Residents	335
Housing units needed	500
Capital investment	\$800 million
One-time impact of construction (gross business volume)	\$390 million
Annual impact after construction (gross business volume)	\$68 million, including \$23 million of household income.
Sales and income taxes during construction	\$2 million
Coal severance and conversion taxes to state and local government	\$3 million ¹ .

The mining/utility sector² provides the highest average wages in the State, specifically:

<u>County</u>	<u>Average Wage</u>
Mercer (mining/utility):	\$64,493
Oliver (mining/utility):	\$58,342
McLean (mining/utility):	\$63,586
Statewide average: (all sectors):	\$26,550
Compare with Stark County:	
(average wage)	\$23,717
(mining/utility)	\$35,481

¹ Data in this table per *Potential Socioeconomic Impacts of Developing the Great Northern Power Development Vision 21 Power Plant Near South Heart, North Dakota*, F. Larry Leistritz (2003).

² This sector also includes agriculture to avoid disclosure of specific wages.

2. Additional wind generation (100 megawatts)

Permanent employees	10
Construction employees	125
Secondary jobs following construction	44
New Residents	10
Housing units needed	5
Capital investment	\$80 - 100 million
One-time impact of construction (gross business volume)	\$187 million
Annual impact after construction	\$4.4 million
Sales and income taxes during construction	\$200,000
Local property taxes	\$55,000 ³

3. Additional Transmission investment:

Estimates of the cost of new transmission facilities to support generation additions range from \$50 million to as much as \$350 million, depending on the amount of generation added and the location of the customers. New transmission will include capital investments, jobs during construction, and ongoing maintenance.

Total miles of new or upgraded lines	200 – 500 miles depending on specific plan.	
Cost of new line (recent examples, excluding right of way costs).	115 kV line:	\$75,000-\$180,000 per mile
	230 kV line:	\$130,000-260,000 per mile
	345 kV line:	\$300,000 per mile.

4. Economic Impact of resolving transmission constraints

Power transactions are curtailed when demand for use of the transmission system exceeds its capacity. This limits economic transactions, resulting in over utilization of higher cost power plants and under utilization of lower cost resources. One study⁴ suggests that alleviating transmission constraints in the North Dakota/Minnesota/Iowa areas through a \$667 million transmission investment would save \$387 million in energy costs annually.

³ Data in this table per *Potential Impacts of Commercial Wind Power Development in North Dakota*, F. Larry Leistritz (2001) and estimates of wind developer members of the Upper Great Plains Transmission Coalition.

⁴ *MISO Transmission Expansion Plan 2003* ("MTEP-03"), June 19, 2003.

B. Context

The electric industry is in a state of flux. This section provides the context for several key issues that are creating unprecedented levels of uncertainty about the future of electric transmission and a negative shift in the perceived risk of electric utility investments.

1. Transmission Ownership

Despite widespread changes in the electric industry, the major transmission facilities in North Dakota remain, for the most part, owned by the utilities that originally built them. Transmission facilities owned by the Western Area Power Administration (WAPA) and Basin Electric Power Cooperative (Basin) are pooled into a network called the "Integrated System" (IS). Transmission facilities owned by the other utilities are not part of the IS. Historically, the IS and non-IS facilities were developed somewhat independently and were only loosely interconnected.

2. Federal versus State Regulation

Long-standing tensions continue between federal authority over wholesale electricity (interstate commerce) versus retail regulation by states. The lines of physical demarcation between the federally-regulated transmission system and the state-regulated distribution system have been clarified somewhat in recent years⁵. However, much gray area remains, particularly with respect to, among other things, retail rate recovery of transmission costs and wheeling for retail competition.

Investor-owned utilities are directly under FERC jurisdiction with respect to transmission and wholesale transactions. Cooperatives, municipal joint action agencies, and federal agencies are generally not under FERC jurisdiction; however the FERC indirectly exerts authority over them in certain respects⁶.

⁵ Although the FERC has declined to make a bright line distinction between transmission and distribution, it adopted in Order 888 a *Seven Factors Test* to provide guidance in classifying the electric system into transmission and distribution components. Under this test, distribution facilities are indicated by: (1) proximity to retail customers, (2) radial, as opposed to networked, character, (3) power flowing in, rarely, if ever, out, (4) once in the facility, power is not reconsigned or transported to another market, (5) power consumed in a relatively restricted geographic area, (6) meters at the transmission/distribution interface, and (7) lower voltages compared to transmission.

⁶ See footnote 8 for one example.

3. MAPP

Essentially all of the utilities in the upper Midwest formed the MidContinent Area Power Pool (MAPP) in the 1960s to:

- provide a generating reserve sharing pool,
- serve as a reliability region within the North American Electric Reliability Council (NERC)⁷,
- provide region-wide transmission access to "spare" transmission capacity among MAPP members, and
- coordinate numerous planning and operating activities.

Until the early 1990s, transmission arrangements for new power plants were made through studies and negotiations among the plants' developer(s) and other affected transmission providers, culminating in contracts among them. Plans for plants and transmission additions were reviewed and approved by MAPP to assure reliability.

4. Open Transmission Access

This structure began to change with the passage of the Energy Policy Act of 1992. That Act put in motion a broad shift toward competition in the wholesale electric industry, envisioned by Congress to follow a path similar to other "deregulated" industries such as airlines, railroads, and natural gas. A policy of open access to the transmission system was viewed as a condition precedent to developing such competition. As a first element of open access, the Federal Energy Regulatory Commission (FERC) in 1996 issued its seminal Orders 888 and 889 requiring, among other things, that transmission owners⁸ offer transmission service on a nondiscriminatory basis under open access transmission tariffs (OATTs) and take their own use of their transmission facilities under those tariffs.⁹

⁷ NERC was organized by the electric utility industry to develop reliability standards after a series of blackouts in the 1960s. NERC consists of a central organization with member "regional reliability organizations" such as MAPP. Most versions of the yet-unpassed federal energy bill bring the functions of NERC directly under FERC authority, with reliability directives having the force of law. FERC will designate a reliability organization to carry out this function, which is widely expected to be a reformulated version of NERC known as the North American Electric Reliability Organization (NAERO).

⁸ The effects of Orders 888 and 889 reach well beyond the investor-owned utilities that are directly under FERC jurisdiction. The FERC requires "nonjurisdictional" utilities (cooperatives, municipal joint action agencies, and federal agencies) to offer reciprocal open access when taking service under a jurisdictional utility's OATT. The practical result of this "reciprocity" provision is that open access applies across all sectors of the transmission system under similar, though not necessarily identical, tariff provisions.

⁹ Existing transmission contracts were not abrogated. However, such "grandfathered" contracts are disfavored by the FERC, which will generally not approve significant amendments such as term extensions.

5. Regional Transmission Operators

As a second element of open access to transmission, the FERC has pushed to give transmission users and other stakeholders a greater voice in how the transmission system is planned and operated. Initially, the FERC required transmission organizations to open their membership to such stakeholders, forming what were called Regional Transmission Groups (RTGs). MAPP complied with this requirement in 1996¹⁰. More recently, the FERC has strongly encouraged utilities to turn "operational control" of their transmission facilities over to FERC-approved independent organizations variously known as Independent System Operators (ISOs) or Regional Transmission Organizations (RTOs)¹¹. RTOs are to have governance structures that are independent of the transmission facility owners and broadly representative of transmission users and other stakeholders. FERC has not gone so far as to order all utilities under its jurisdiction to join RTOs, but it has made RTO membership a condition of approval of certain utility requests, such as mergers.¹²

To date, the development of RTOs has been uneven. Parts of the country with "tight" power pools¹³, such as the Northeast, have been more successful in forming RTOs than other parts of the country, such as the West or Southeast, where RTO developments have stalled. In this area, most notable was the failure of the MAPP utilities to agree to form a MAPP RTO in 1999. This prompted several key MAPP members (particularly Xcel) to search for an alternative, leading them to join the Midwest Independent System Operator ("Midwest ISO" or simply "MISO"), an RTO initially formed in the Indiana, Illinois, and Kentucky region. The other investor-owned utilities in MAPP, feeling pressure from FERC to join an RTO and seeing a bandwagon toward MISO, quickly followed suit.

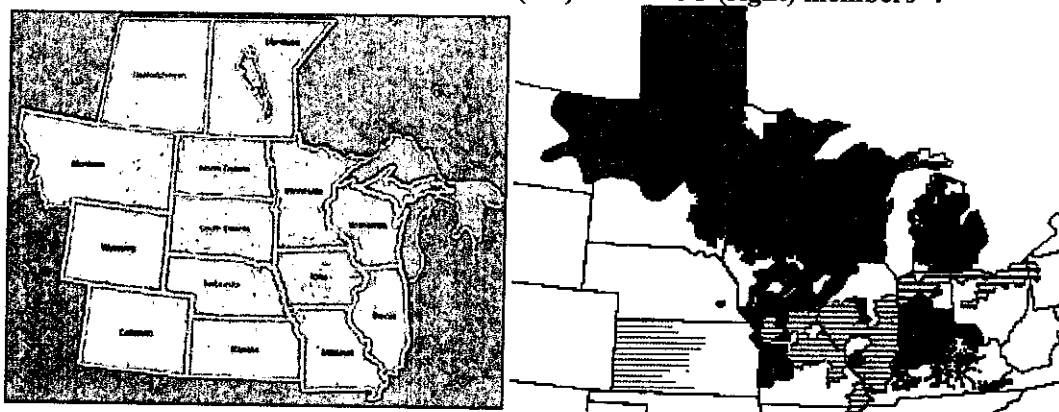
¹⁰ MAPP Restated Agreement, 1996.

¹¹ FERC Order 2000, Issued December 20, 1999. The concept and terminology has been evolving from one FERC proceeding to the next; however the current practice, adopted in FERC Order 2003, is to refer to such independent organizations as "RTOs".

¹² For example, FERC required RTO membership as a condition of approving the Xcel merger.

¹³ A "tight" power pool centrally dispatches the power plants of its members; i.e. the pool sets the level of output of each unit. A "loose" power pool, such as MAPP, may provide market information or facilitate transactions, but does not actually dispatch units.

General Territories of MAPP (left) and MISO (right) members¹⁴.



MISO has assumed for its members many, but not all, of the functions of MAPP. Transmission service using facilities owned by MISO members is provided using the MISO OATT. MISO develops transmission plans and policies and provides high level operational directives to local control centers. MAPP continues to function as a reliability council, a generating reserve sharing pool, an energy market, and a regional transmission group (for members that have not joined MISO)¹⁵. For nonmembers of MISO, MAPP continues to provide the services it traditionally has, but in a vastly smaller footprint and in coordination with MISO.

MISO became the first RTO to be approved by FERC. FERC has shown continued strong interest in its success. In many respects, MISO is off to a good start, but there remain gaping holes in its membership and resistance to certain policies it is trying to implement, particularly in the MAPP region¹⁶. Expansion of MISO to include the remainder of the MAPP region has stalled. In fact, in the last several months there has been talk of withdrawals from MISO. Additionally, MAPP has explored reviving the concept of a MAPP RTO or, alternatively, forming a "MISO West" subgroup within the MISO organization with rules and policies better adapted to this region's circumstances.¹⁷ The effort to form "MISO West" was recently terminated, however.¹⁸

Most of the investor owned utilities in the MAPP region are now members of MISO, but almost none of the nonjurisdictional utilities (cooperatives, municipals, and federal agencies) have joined. A major reason for this difference is the MISO transmission rate structure,

¹⁴ These maps should be interpreted with caution. The MAPP map shows all of the members of the MAPP reliability region. However most of the investor-owned utilities in MAPP are MISO members and provide transmission service pursuant to the MISO tariff. The MISO map omits "holes" where nonjurisdictional utilities are not MISO members (e.g., Basin, GRE, Minnkota, and others).

¹⁵ MAPP is in the process of unbundling certain of these functions into separate organizations. The energy market function has been spun off to a new organization, the Midcontinent Energy Marketers Association (MEMA). MAPP is in the process of forming a new organization for its regional reliability functions, the Midwest Reliability Organization (MRO). The generation reserve sharing pool remains with MAPP, as does the regional transmission function for members that have not joined MISO.

¹⁶ Utilities that have not joined MISO have discussed forming RTOs of their own. Notably, Basin, Minnkota, and other nonjurisdictional utilities in the plains states have explored forming an RTO called Crescent Moon.

¹⁷ On November 21, 2003 the MAPP Executive Committee created a Strategic Review Team to explore the alternatives of (1) forming a new RTO and (2) developing a "MISO West" subregion within MISO.

¹⁸ The MAPP Executive Committee terminated work on "MISO West" on March 25, 2004.

which the nonjurisdictional utilities find disadvantageous. Efforts to modify that rate structure have been unsuccessful to date. The fact that some utilities in this region are MISO members while others are not complicates operation of the grid and planning its future development.

6. Standard Market Design

The FERC's third element of open transmission access was to develop comprehensive standardized rules and procedures for electric transmission and power transactions -- a Standard Market Design (SMD) -- to replace various regional practices¹⁹. However, the FERC put this initiative on hold after encountering stiff opposition during its rulemaking proceeding on it²⁰. This experience made it abundantly clear that there is little national consensus on many aspects of electric transmission, especially aspects that involve paying for use and expansion of the transmission grid.²¹

7. Organization of MISO States

After pulling back on SMD, the FERC's current posture²² is to accept regional rules that meet the broad standards of being "just, reasonable, and nondiscriminatory" and that have been developed through a suitably open consensus-building process. In particular, the FERC has encouraged the formation of regional organizations of states to deal with issues such as transmission cost allocation.²³

Public utility commissioners from states in the MISO footprint formed the first such regional organization, the Organization of MISO States (OMS)²⁴. The issues OMS is addressing, particularly transmission cost allocation issues, are vital to resolving the North Dakota transmission constraint. North Dakota PSC Commissioner Susan Wefald is currently the president of OMS.

¹⁹ FERC Notice of Proposed Rulemaking: *Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design*, FERC Docket RM01-12-000, July 31, 2002.

²⁰ The NDIC filed comments in this proceeding on February 28, 2003.

²¹ The reasons for this lack of consensus are both philosophical (differing views on the appropriateness of changing the status quo) and situational (differing cost impacts on local constituencies due to differing regional circumstances). The FERC's proposed Standard Market Design was heavily influenced by more-or-less successful implementation of such a model in the Northeastern states. The proposal was strongly opposed by the Southeastern and Northwestern states, whose generating, transmission, and historical circumstances differ markedly from those of the Northeast.

²² *White Paper on Wholesale Power Market Platform*, FERC, April 28, 2003.

²³ Such regional organizations were envisioned by the National Governors Association and by the FERC in their Standard Market Design proposed rule. The NGA called them Multi-State Entities, the FERC called them Regional State Advisory Committees. See, *Interstate Strategies for Transmission Planning and Expansion*, National Governors Association Task Force on Electricity Infrastructure, August 6, 2002; FERC Notice of Proposed Rulemaking: *Remedying Undue Discrimination through Open Access Transmission Service and Standard Electricity Market Design*, FERC Docket RM01-12-000, July 31, 2002.

²⁴ The OMS bylaws also provide for Associate Memberships for state agencies that (a) are involved with energy planning, and or environmental issues that relate to electric transmission, or (b) are involved with consumer advocacy issues that relate to electric transmission, or (c) are approved by the OMS Board of Directors for associate member status.

8. DOE Grid Study – National Interest Transmission Bottlenecks

In 2002, the Department of Energy published a study²⁵ that, among other things, identified the existence of transmission bottlenecks with impacts affecting the interests of the nation or at least broad regions of it. The study was reviewed by an advisory group, which recommended²⁶ that the DOE develop an approach for identifying such National Interest Transmission Bottlenecks, suggesting criteria such as:

- effect on national security,
- risk of widespread unreliability,
- adequacy of electric supply to major load centers, and
- risk of cost increases with serious consequences to broad regional economy.

The study recommended facilitating solutions to such bottlenecks through means such as financial incentives, regional coordination, and increased federal authority. The DOE established an Office of Electric Transmission and Distribution to carry out this task as well as to manage transmission-related research programs and reliability initiatives. Drafts of the yet-to-be-passed federal energy bill also have contained provisions addressing the need to resolve transmission bottlenecks. With or without the energy bill, the DOE is in the process of initiating a rulemaking proceeding on this matter.

C. Physical Aspects of Electric Transmission

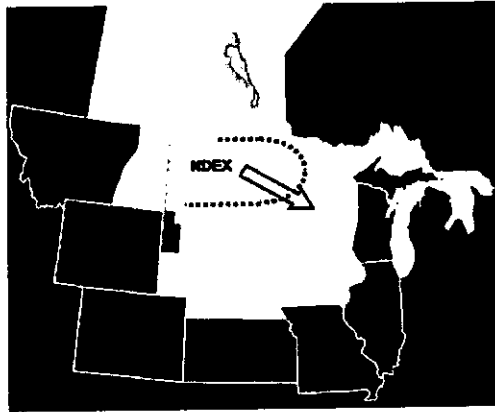
Customers expect the transmission system to operate reliably despite storms, equipment failures, plant trips, and other events that disable parts of the system. Such events are factored into the design of the system. The goal is not to provide perfect reliability, but is to maintain the system's integrity despite a limited number of credible adverse events. When such events occur, use of the system must be reduced to maintain its ability to survive subsequent events and to avoid cascading failures that could lead to a widespread blackout.

1. North Dakota Export Limit

The utilities in the upper Midwest, acting through MAPP, have established export limits and other guidelines for operating the system reliably. One of those guidelines sets a limit of 1950 MW for exports from North Dakota (NDEX) when the transmission system is fully intact. Lower limits apply when one or more transmission lines are out of service.

²⁵ *National Transmission Grid Study*, U.S. Department of Energy, May, 2002. Note that this study did not identify the North Dakota Export interface as a National Interest Transmission Bottleneck. The study used curtailed transactions (transmission loading relief incidents) as the basis for initially identifying bottlenecks. This approach fails to identify situations such as North Dakota's, where transmission is adequate for existing needs but cannot support additional generation. The director of what is now the DOE Office of Electric Transmission and Distribution subsequently visited North Dakota and noted that the list was not to be taken as comprehensive or exclusive.

²⁶ *Transmission Grid Solutions Report*, US DOE Electricity Advisory Board, Sept., 2002.



The NDEX limit arises primarily due to stability constraints, although thermal and voltage limitations are also considered. The natures of these limitations are as follows:

- **Stability:** The transmission grid must withstand shocks such as short circuits and loss of critical lines or power plants. Immediately following such events, the system will experience fluctuations in voltage and other parameters. Those fluctuations must fall within a range that won't damage equipment or lead to other, cascading failures – all in a timeframe too short for human intervention.
- **Thermal limits:** Transmission lines, transformers, and other equipment have ratings arising from heat created by resistance to the flow of current. Operating beyond those ratings could lead to sagging transmission lines, conductor damage, or premature failures of expensive equipment such as transformers.
- **Voltage:** The voltage on the transmission system must be maintained within certain limits to avoid damage to equipment and to provide adequate service to customers.

Exporting power from a new plant in North Dakota would necessitate increasing the NDEX limit²⁷, requiring transmission improvements to alleviate the underlying stability, thermal, and voltage limitations of the system. Extensive engineering studies and design work would be required, well beyond the scope of the exploratory studies performed to date under the LV21P.

2. Other constrained interfaces

Power flows across the transmission system in a manner determined by the physical characteristics of the many lines comprising the system. Even when new lines are built between a new power plant and a load center, some power will flow across other transmission lines that may be quite distant from the desired plant-to-load path. Bottlenecks arise when the additional power pushes those lines over their operating limits.

²⁷ Transmission capacity for exports from North Dakota may be available intermittently on a nonfirm or short-term firm basis when the existing transmission system is not fully loaded, such as when plants are out of service, when local loads are high, when export energy market conditions are unfavorable, or when other transmission constraints are binding. However, a new plant would almost certainly require long-term firm transmission capacity to be economically viable.

Several such bottlenecks (called "constrained interfaces") may be impacted by a new North Dakota plant, in addition to the NDEX limit. Among these are constrained interfaces in Nebraska, between Manitoba and the United States, and between Minnesota and Wisconsin. These must be addressed in transmission studies that are part of the process of arranging transmission service for the new plant.

3. AC and DC Transmission

The vast majority of the transmission system uses alternating current (AC) because it can be readily transformed from one voltage to another. However, direct current (DC) is used in certain circumstances involving long distances or connections between asynchronous alternating current systems (that is, systems that are not interconnected and operating at exactly the same frequency).

DC transmission systems require very complex and expensive converter stations at each end of the line and at any intermediate tap points. However, the DC transmission lines themselves are less expensive and have appreciably lower losses than AC lines of similar capacity.

DC transmission could be used to transfer power from a new plant in North Dakota to eastern markets, as is done with Coal Creek and Milton Young plants. DC transmission could also be used to transfer power between North Dakota and the western states, although the economic prospects for exports from North Dakota to the west do not appear to be as favorable at this time.

D. Procedures for Arranging Transmission Service

New transmission service must be arranged pursuant to the open access transmission tariff (OATT) of one or more transmission provider(s). A new power plant must have two distinct services for power to flow from the plant to a customer:

- **Generator Interconnection Service**, which conveys a right to interconnect the plant with the grid; and
- **Transmission Service**, which conveys the right to deliver the plant's production to a particular customer.

The FERC requires that these services be provided on a first-come, first-served basis. Transmission providers maintain queues that list service requests in the order of receipt²⁸.

The party requesting transmission service may be required to pay for necessary transmission system improvements, which may be quite distant from the desired path of power flow. Some or all of those payments may be reimbursed over time by other users of the transmission system if the improvements are beneficial to other users. Regional rules for determining who pays for transmission system improvements are currently under debate²⁹. Uncertainty about the outcome of that debate is a major source of investment risk for new transmission projects.

A transmission line could, in theory, be built outside of this process. So called "merchant transmission lines" have been proposed in special circumstances where the owner can exert control over who uses the line³⁰. However, transmission lines built in this region will likely need to be operated as part of the overall grid, precluding avoidance of the complicated issues of compensation by the merchant for reliance on other transmission facilities and compensation to the merchant for benefits provided to the other users of the grid.³¹

²⁸ MISO manages common queues for its member utilities and coordinates those queues with the queues of other utilities. As of early June, 2004, the MISO generator interconnection queue had 290 active projects, totaling 51,108 MW. Of those projects, 17 were in North Dakota (2550 MW), 27 were in South Dakota (3675 MW), and 87 were in Minnesota (8625 MW). A list of North Dakota projects in the MISO and WAPA generator interconnection queues is shown in [Attachment I](#).

²⁹ MISO has established a Regional Expansion Criteria and Benefits Task Force to develop a cost allocation policy for new transmission lines within the MISO region, subject to FERC approval.

³⁰ DC transmission lines allow such control. Back-to-back DC converters and undersea cables have been proposed as merchant transmission lines.

³¹ A radial configuration in which a new plant is connected solely to a dedicated transmission line extending to a distant market would avoid these issues on the plant end of the line. Such a radial configuration may be technically feasible, but would likely be less reliable than a grid-connected plant because of the plant's dependence on the dedicated line's availability. It would also likely be more costly because there would be no other beneficiaries to share costs with.

III. Activities to Date

A. Studies

1. Phase I Lignite Vision 21 Program (LV21P)

During Phase I of the LV21P, which began in July of 1999 and was completed in July of 2000, a "fatal flaw analysis" transmission study³² was conducted by ABB, Inc. The study used power flow techniques to identify a transmission corridor (Antelope Valley Station – Huron – Sioux Falls – Lakefield Junction) to accommodate an additional 500 MW to the North Dakota export capacity. ABB determined that this route would likely increase stability and reliability of the MAPP network and, in particular, the North Dakota sub-region of MAPP, but would require additional studies for verification.

2. Phase II LV21P

During Phase II of the LV21P, which began April 1, 2000 and was completed in July of 2001, transmission studies were conducted for a new 500 MW lignite-fired plant located at any of seven potential sites in North Dakota³³. The studies included powerflow, stability, and loss evaluations. The results indicated that it was technically feasible to add a new 500 MW generating unit in North Dakota and to upgrade the transmission system from North Dakota to Minnesota.

3. Phase III LV21P

During Phase III of the LV21P, which began September 1, 2001 and was completed April 30, 2004, several transmission studies were conducted. One study³⁴ identified transmission improvements necessary to deliver power from each of the Great River Energy, Great Northern Power Development, and MDU/Westmoreland prospective project sites to the Minneapolis area for both 750 and 500 MW plants. The six basic route scenarios shown in Attachment 2 were investigated. The study developed cost information for each scenario and determined that each was technically feasible, though much more detailed study would be required before such a project could be constructed.

In a another study³⁵, Great Northern Power Development, MDU-Westmoreland, and the NDIC contracted with ABB to investigate transmission options to increase power flows between the Western Electricity Coordinating Council (WECC) and the Mid-Continent Area Power Pool (MAPP) and identify transmission upgrades required to transmit 500 MW and 1000 MW of new lignite generation in the MAPP System to the Northwest Region in the WECC. Seven alternatives were developed for transmission of power from the Belfield and Gascoyne locations to the WECC. The results of the study included cost estimates and indicate that the transmission scenarios studied are technically feasible; however, much more detailed studies would be required.

³² *North Dakota Transmission Study Second Report* (ABB, May 8, 2000).

³³ *Phase II Transmission System Impact Study Summary Report* (ABB, February 6, 2001, Revised February 23, 2001).

³⁴ *LV21P Transmission Alternatives Preliminary Analysis* (ABB, February 12, 2002).

³⁵ *MAPP-WECC Transmission Study* (ABB, December 2, 2002).

In a third study³⁶, several entities, including wind developers, contracted with ABB to evaluate the feasibility of 1500/2250 MW high-voltage direct current transmission lines from North Dakota to Chicago. The results of the study included cost estimates and indicate that the transmission scenarios studied are technically feasible; however, much more detailed studies would be required.

In a fourth study³⁷, ABB evaluated the transmission required to export 250 MW and 500 MW based upon a review of existing studies. This study excluded upgrading the Antelope Valley-Huron line, whose owners have indicated that they have reserved such an upgrade for other purposes. The study included transmission routes and cost estimates for a 250 MW station located at Gascoyne and a 500 MW station located at either Gascoyne or Belfield and delivering power to the Minneapolis area.

Most recently, the Transmission Study Committee (TSC) of the UGPTC has prepared a draft Dakotas Transmission Study Scope, December 4, 2003. This study will identify potential transmission projects to deliver 500 MW from a new North Dakota lignite generating station and 1500 MW from wind generating sites in North and South Dakota to the Twin Cities and other markets further south and east. Maps showing the placement of these generating sites and examples of the transmission configurations being considered are shown in Attachment 3. The TSC subcommittee and MISO transmission planners are in the process of developing a scope of work. MISO has committed to performing the study and integrating the results into the MISO Transmission Expansion Plan 2004 (MTEP-04), which is scheduled for completion by the end of 2004 and approval by the MISO Board of Directors in early 2005. At that point, it would be up to the LV21P participants, the wind interests, existing plant operators, transmission owners, and other stakeholders to determine how they would work together to develop specific transmission plans, cost sharing mechanisms, and permitting and siting strategies.

³⁶ *North Dakota to Zion HVdc Transmission Feasibility Study* (ABB, November 14, 2002).

³⁷ *Review of System Alternatives for Lignite Vision 21 Program* (ABB, July 28, 2003, Revised September 16, 2003)

B. Upper Great Plains Transmission Coalition

The NDIC has been instrumental in forming the UGPTC, which is comprised of coal, wind, and transmission interests in the upper Great Plains region.

1. UGPTC Mission and Objectives

The UGPTC has identified the following mission and objectives:

Mission: To identify, publicize, and advocate solutions to resolve the transmission constraints that limit export of electrical energy from the Upper Great Plains.

Objectives:

1. Submit identified transmission constraint solutions to applicable Regional Transmission Organizations and Regional Multi-state committees that are responsible for transmission planning and approval and advocate their approval.
2. Identify laws, rules, regulations, and policies that are barriers to the implementation of transmission constraint solutions and recommend strategies and plans to remove such barriers.
3. Submit application, if appropriate, to the United States Department of Energy for National Interest Transmission Bottleneck designation of the Upper Great Plains transmission constraints and advocate for it approval.
4. Identify permits, licenses, and routing and develop construction plans for the proposed transmission solutions.

2. UGPTC Structure

The UGPTC has developed the following committees:

- **Transmission Study Committee** to review existing and conduct new studies. The committee is to select the solution(s) that best meets the mission and objectives of the Coalition and advocate its approval.
- **Rules, Regulations and Policies Committee** to review existing federal, state and RTO rules, regulations and policies to identify barriers that could affect implementing the transmission constraint solutions identified by the Coalition. The Committee is to develop strategies and plans to resolve barriers that are identified.
- **National Interest Transmission Bottleneck (NITB) Committee** to develop an application to DOE to designate the Upper Great Plains transmission constraint as a NITB and develop plans for advocating its approval.
- **Siting, Routing, and Construction Planning Committee** to review the siting and routing requirements within the states affected by the proposed transmission solution and develop a strategy and plans to construct it.

3. UGPTC Activities

The UGPTC has met ten times: seven times in Bismarck, twice in St. Paul, MN, and once in Pierre, SD. The committees are active and meet as needed. Bob Harms, Special Attorney General, serves as the UGPTC Chairman. Attachment 4 includes a list of the UGPTC members. Attachment 5 includes a list of the committees and their members. Attachment 6 is a Memorandum of Understanding among the members. The UGPTC has received recognition by MISO, OMS, and WAPA in their programs and planning.

Following is a summary of the current activities of each of the UGPTC committees:

(a) Transmission Study Committee

This committee is working to include a conceptual plan addressing lignite and wind expansions in the 2004 MISO Transmission Expansion Plan. This plan would provide transmission for up to 500 MW of lignite-fired generation and 1500 MW of wind generation at various locations in North Dakota, South Dakota, and Minnesota.

(b) Rules, Regulations and Policy Committee

In August 2003, this committee made a presentation to Senator Dorgan on transmission issues and provided pricing language for the energy bill that would be favorable to North Dakota lignite and wind projects³⁸. The committee has also been developing strategies for influencing MISO and the OMS to adopt favorable pricing policies. Susan Wefald, North Dakota Public Service Commission, is the current President of the OMS and meets regularly with UGPTC members, providing an opportunity for interfacing with the OMS.

(c) National Interest Transmission Bottleneck Committee

This committee has been evaluating the North Dakota export constraint and bringing attention to it. Efforts include sharing information obtained through Great Northern Power Development's participation in a national study of transmission bottlenecks³⁹. The NITB Committee is also monitoring development of the U.S. Department of Energy's (DOE) Office of Electric Power Systems Operations and Analysis, which will be primarily responsible for identifying significant ("national interest") transmission bottlenecks. This office is expected to conduct a rulemaking regarding designation of such bottlenecks in the near future, which may have a favorable impact on new transmission development in North Dakota.

³⁸ The UGPTC adopted the committee's endorsement of pricing that would : (1) promote capital investment in economically efficient transmission systems; (2) encourage the construction of transmission facilities in a manner which provides the lowest overall cost to consumers and risk to investors; (3) encourage improved operations of transmission facilities and deployment of transmission technologies designed to increase capacity and efficiency of existing networks; (4) ensure that parties who invest in facilities necessary for transmission expansion or interconnection receive appropriate compensation for those facilities; (5) eliminate regional barriers to transmission development; (6) promote the adoption of: (a) a single region-wide average rate for high voltage transmission facilities that provide regional benefit consistent with the development of an economically efficient system and support wholesale interstate transactions, and (b) zonal rates for sub-regional transmission facilities.

³⁹ *Grounded in Reality: Bottlenecks and Investment Needs of the North American Transmission System* (Cambridge Energy Research Associates).

(d) Siting, Routing, and Construction Planning Committee

This committee has identified the pertinent state transmission siting and permitting requirements and points of contact in North Dakota, South Dakota, and Minnesota. In addition, the committee has made contact with the OMS Transmission Planning and Siting Committee, the chair of which is now participating in UGPTC meetings. The OMS is currently in the process of surveying states in the MISO footprint regarding transmission siting authority, practices, and experiences.

4. Other interests:

Members or representatives of the Minnesota Governor's office, Minnesota Board of Environmental Quality, Minnesota Department of Commerce, Minnesota PUC, Minnesota Attorney General's office, South Dakota Governor's Office, and the South Dakota PSC have all attended the meetings held in their respective states. North Dakota congressional delegation staff have also participated in most of the UGPTC meetings.

5. Public Policy:

The 2003 Legislature established transmission as a key public policy for the State of North Dakota by enacting the following legislation⁴⁰:

Governmental public purpose - Electricity transmission export constraint priority. The legislative assembly finds and declares that it is an essential governmental function and public purpose to assist with the removal of electrical transmission export constraints and to assist with the upgrading and expansion of the region's electrical transmission grid in order to facilitate the development of the state's abundant natural resources for export to the region's consumers. The industrial commission shall give priority to those projects, processes, or activities that assist with the resolution of electricity transmission export constraints in this state.

In summary, the UGPTC has established objectives, organized itself into functioning committees, and has begun pursuing transmission solutions (technical and legislative) that will benefit the lignite and wind industries, and thus the economy in this state and region.

⁴⁰ Electricity Transmission Export Constraint Resolution, House Bill 1339.

IV. Conclusion

Electric generation is a major economic activity within the state of North Dakota. Exporting additional electricity to out-of-state markets will require expanding the transmission system. The technical and financial issues involved in such an expansion are formidable. Studies completed through the LV21P and elsewhere have indicated that adding transmission capacity for exports from North Dakota is technically feasible. Costs have been quantified in those studies, however more analysis would be required to identify a narrower range for the cost of a specific transmission plan for a specific generating project.

A number of complex, interrelated organizational and regulatory issues must be resolved before any such transmission plan will be implemented. The present state of flux associated with these issues has created an unprecedented level of uncertainty and perceived risk for new investments in transmission.

Potential expansions of both lignite and wind resources are similarly affected by those issues. The formation of the UGPTC has created a forum for raising their visibility and for identifying common interests in moving toward their resolution.

Attachments

1. North Dakota projects in the MISO and WAPA generator interconnection queues
2. Transmission scenarios evaluated in Phase III of Lignite Vision 21 Program
3. Examples of scenarios to be considered in MISO 2004 Transmission Expansion Plan
4. UGPTC Members
5. UGPTC Committees
6. UGPTC Memorandum of Understanding

Attachment 1

North Dakota Projects in the MISO and WAPA Generator Interconnection Queues

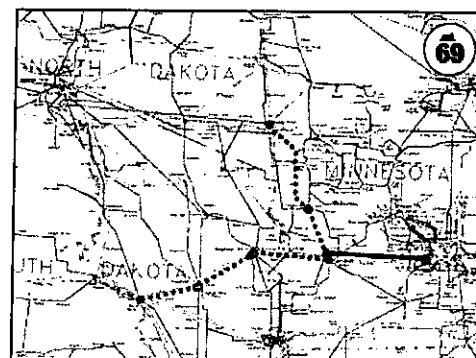
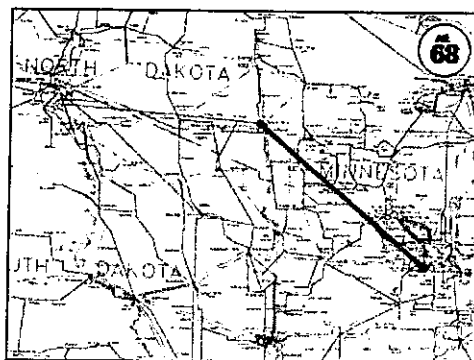
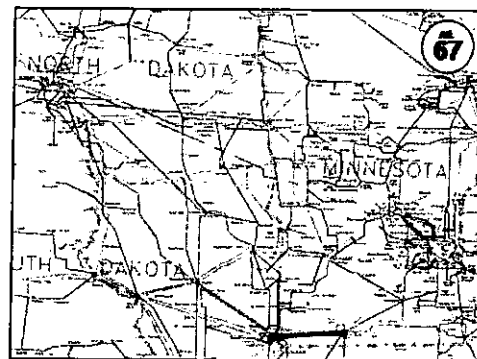
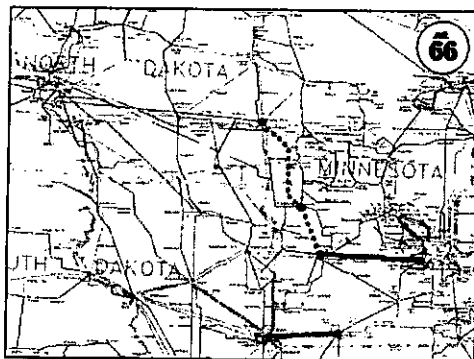
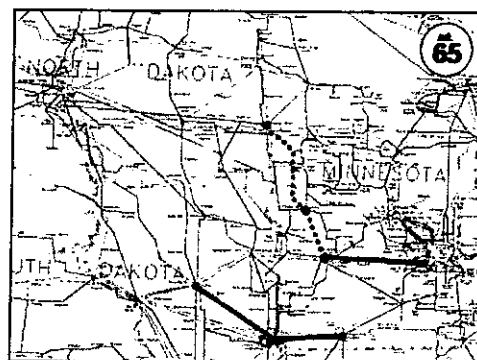
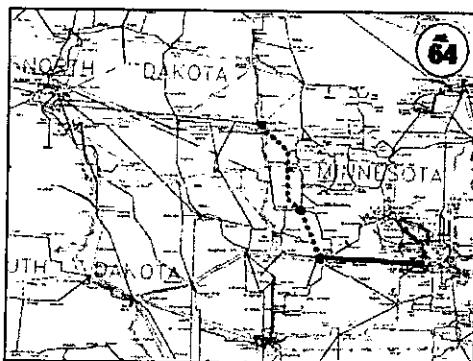
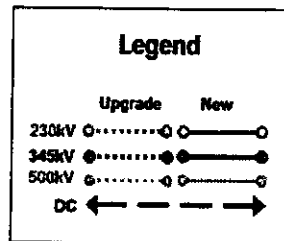
(as of June 7, 2004)

Queued Date	Queue	Control Area	County or other ID	Net Plant Max MW	In Service Date
09-Nov-00	MISO	OTP	Cass	2	01-Oct-01
31-Jan-01	WAPA	WAUE	Antelope Valley Station	300	
17-Sep-01	MISO	MDU	Dickey	180	01-Oct-04
23-Oct-01	WAPA	WAUE	Minot	3	
30-Apr-02	WAPA	WAUE	Hettinger	100	
30-Apr-02	WAPA	WAUE	Hettinger	400	
20-Jun-02	WAPA	WAUE	Edgeley	40	
26-Jun-02	WAPA	WAUE	Antelope Valley Station	20	
20-Aug-02	MISO	MDU	Dickey	19	01-Dec-03
12-Nov-02	WAPA	WAUE	Stark	500	
05-Feb-03	MISO	OTP	LaMoure	19	01-Oct-03
19-Mar-03	MISO	MDU	Bowman	19	01-Sep-04
13-Jun-03	WAPA	WAUE	Morton	8	
24-Sep-03	WAPA	WAUE	Mercer	600	
21-Nov-03	MISO	MDU/OTP?	Pierce	150	01-Dec-05
02-Mar-04	MISO	NSP	McHenry	40	31-Dec-05
27-Mar-04	MISO	MDU	Dickey	150	01-Dec-05
<i>Total</i>				2550	

Note: "WAUE" is the WAPA Upper Great Plains Eastern control area, which includes the systems of WAPA, Basin, and others in the eastern interconnection.

Attachment 2

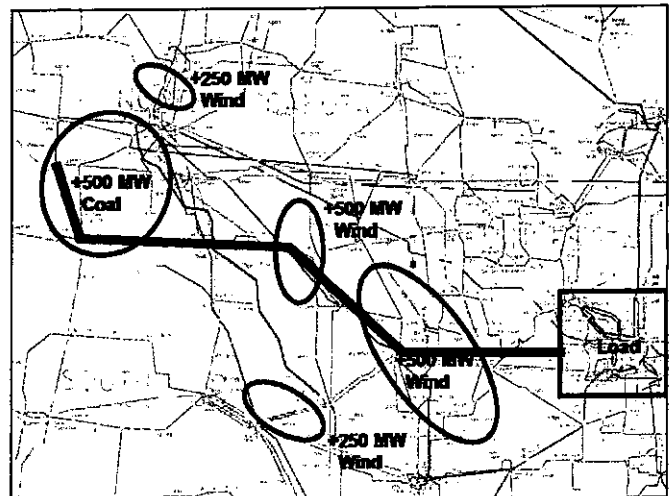
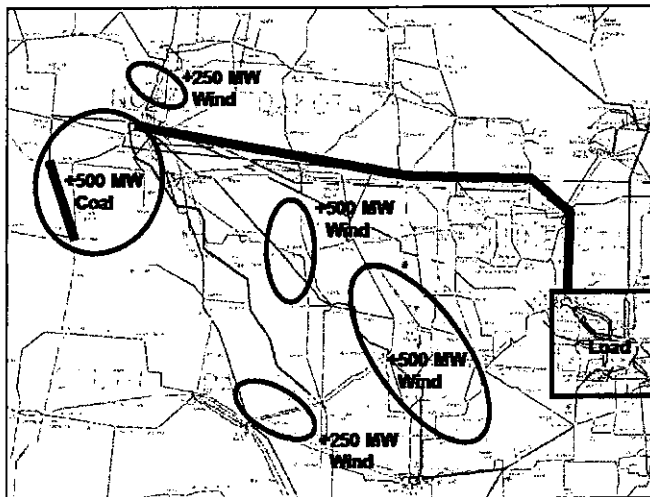
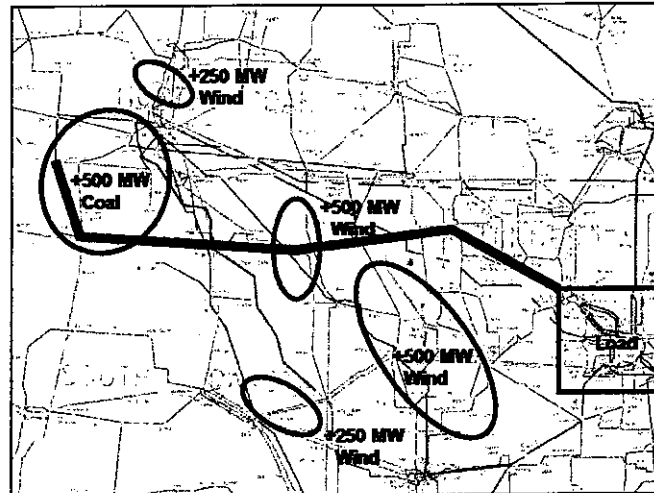
Transmission Scenarios Evaluated in Phase III of Lignite Vision 21 Program



Attachment 3

Examples of Scenarios to be Considered in MISO 2004 Transmission Expansion Plan

(The routes shown are for study purposes only and do not represent specific line corridors.)



Attachment 4

Upper Great Plains Transmission Coalition Membership List

Robert W. Harms, Chairman

American Wind Energy Association

James H. Caldwell, Jr., Policy Director

John Dunlop, Great Plains Representative

Basin Electric Power Cooperative

Mike Eggl, Vice President of Government Relations

Curt Jabs, Legislative Representative

Dan Klempel, Director, Transmission Regulatory Compliance

Mike Risan, Senior Vice President of Transmission

Crownbutte Wind Power

Tim Simons, Chief Executive Officer

Brad Krenz, Project Manager

Dakota Resource Council

Mark Trechock, Staff Director

Energy Unlimited, Inc.

Robert M. Markee, Vice President Marketing

The Falkirk Mining Company/Coteau Properties Company

Mike Briggs, Staff Engineer

E. B. (Brett) Schafer, Engineering and Administrative Manager

Gamesa Energia S.A.

Gabriel Alonso, Business Development Manager

Global Winds Harvest, Inc.

Erich Bachmeyer, Vice President, Development

Dr. Ingo Stuckmann, Vorstand Board Manager

Todd Wilen, Energy Consultant

Great Northern Power Development L.P.

Gerald (Jerry) E. Vaninetti, President

Richard A. Voss, Vice President

Great River Energy

Betsy Engelking, Manager Resource Planning

Terry Grove, Manager, Transmission Engineering and Services

Michele Beck Jensen, Markets and Pricing Analyst

John Pelerine, Plant Manager, Coal Creek Station

Gordon Pietsch, Manager, System Operations

John Weeda, Plant Manager, Coal Creek Station

Industrial Commission of North Dakota

Karlene Fine, Executive Director and Secretary
Robert W. Harms, Special Assistant Attorney General

Lignite Energy Council

John Dwyer, President

Lignite Vision 21 Program

Jeff Burgess, Manager of Environmental Services
Glen Skarbakka, Skarbakka, PLLC, Transmission Consultant to NDIC

Minnkota Power Cooperative, Inc.

Alvin Tschepen, VP Planning & System Operations

Missouri River Energy Services

Raymond J. Wahle, Director, Power Supply & Operations
Terry Wolf, Manager of Transmission Services

Montana-Dakota Utilities

Geoff Fecske, Systems Operations Engineer
David Mangskau, Senior Projects Manager – Energy Supply

Otter Tail Power Company

Timothy Rogelstad, Manager, Delivery Planning

***ND Public Service Commission**

Jerry Lein, Public Utility Analyst

Trans-Elect

Perry Cole, Senior Vice President

***Western Area Power Administration**

Edward Weber, Transmission System Planning Manager

Westmoreland Coal Company

Michael Lepchitz, Vice President and General Counsel

Wind Energy Council

Jay Haley, Founding Chairmen, Board of Directors
Mike Hohl, Chairman

Wind on the Wires

Beth Soholt, Director

Xcel Energy

Robin Kittel, Director, Market Relations

*The Public Service Commission and WAPA cannot be members of the Coalition but have volunteered to serve as advisors—serve on committees, etc.

Attachment 5

Upper Great Plains Transmission Coalition Committees

National Interest Transmission Bottleneck (NITB) Committee

Co-Chair: Tim Simons, Crownbutte Wind Power
G. E. (Jerry) Vaninetti, Great Northern Power Development
Jeff Burgess, Lignite Vision 21 Program
Jim Caldwell, American Wind Energy Association
Mike Eggl, Basin Electric Power Cooperative
Ingo Stuckmann, Global Winds Harvest, Inc.
Ed Weber, Western Area Power Association (*non-voting*)

Rules, Regulations and Policies Committee

Co-Chair: Dan Klempel, Basin Electric
Bob Markee, Energy Unlimited
Michele Beck Jensen, Great River Energy
Betsy Engelking, Great River Energy (Alternate)
Terry Grove, Great River Energy (Alternate)
Jerry Lein, Public Service Commission (*non-voting*)
David Mangskau, Montana-Dakota Utilities
Tim Rogelstad, Otter Tail Power
Glen Skarbakka, Lignite Vision 21 Program
Beth Soholt, Wind on the Wires

Siting, Routing and Construction Planning Committee

Co-Chair: Jeff Burgess, Lignite Vision 21 Program
Erich Bachmeyer, Global Winds Harvest, Inc.
John Dunlop, American Wind Energy Association
Brad Krenz, Crownbutte Wind Power
Jerry Lein, Public Service Commission (*non-voting*)
Beth Soholt, Wind on the Wires
Ingo Stuckmann, Global Winds Harvest, Inc. (Alternate)
Mark Trechock, Dakota Resource Council
Todd Wilen, Global Winds Harvest, Inc. (Alternate)

Transmission Study Committee

Co-Chair: Glen Skarbakka, Lignite Vision 21 Program
Beth Soholt, Wind on the Wires
Geoff Fecske, Montana-Dakota Utilities
Terry Grove, Great River Energy
Gordon Pietsch, Great River Energy (Alternate)
Jay Haley, Wind Energy Council
Robert Markee, Energy Unlimited
Mike Risan, Basin Electric Power Cooperative
Timothy Rogelstad, Otter Tail Power
Matt Schuerger, Wind on the Wires (Alternate)
Rich Voss, Great Northern Power Development
Ed Weber, Western Area Power Association (*non-voting*)

Steering Committee

The Steering Committee consists of the Chairman of the Coalition and the Co-Chairs of the four Committees:

Robert W. Harms, Chairman

Jeff Burgess, Co-Chair - Siting, Routing and Construction Planning Committee

Dan Klempel, Co-Chair - Rules, Regulations and Policies Committee

Bob Markee, Co-Chair - Rules, Regulations and Policies Committee

Glen Skarbakka, Co-Chair - Transmission Study Committee

Tim Simons, Co-Chair - National Interest Transmission Bottleneck Committee

Beth Soholt, Co-Chair - Transmission Study Committee

Jerry Vaninetti, Co-Chair - National Interest Transmission Bottleneck Committee

Erich Bachmeyer, Co-Chair - Siting, Routing and Construction Planning Committee

Updated April 26, 2004

Attachment 6

UPPER GREAT PLAINS TRANSMISSION COALITION MEMORANDUM OF UNDERSTANDING (AS AMENDED)

This memorandum represents the understanding and commitment of members in forming a coalition for the purposes expressed herein, and to define the manner in which the coalition conducts itself:

MISSION of coalition:

To identify, publicize, and advocate solutions to resolve the transmission constraints that limit export of electrical energy from the Upper Great Plains Region.

OBJECTIVES of the coalition are to:

1. Submit identified transmission constraint solutions to applicable Regional Transmission Organizations and Regional Multi-State Committees that are responsible for transmission planning and approval and advocate where appropriate, for their approval.
2. Identify laws, rules, regulations, and policies that are barriers to the implementation of transmission constraint solutions and recommend strategies and plans to remove such barriers.
3. Submit application, if appropriate, to the United States Department of Energy for National Interest Transmission Bottleneck designation of the Upper Great Plains transmission constraints and advocate for its approval.
4. Identify permits, licenses, and routing and develop construction plans for the proposed transmission solutions.

COMMITTEES of the Coalition are:

Transmission Study Committee – A technical committee for the purpose of reviewing existing and conducting new studies, which would select the solution(s) that best meets the mission and objectives of the Coalition and advocate, where appropriate for approval.

Rules, Regulations and Policies Committee:

A rules, regulations and policies committee for the purpose of reviewing existing federal, state and RTO rules, regulations and policies in order to identify any barriers that may exist that would affect the Coalition from

implementing transmission constraint solutions identified by the Coalition. The Committee would develop strategies and plans to resolve barriers that are identified.

National Interest Transmission Bottleneck (NITB) Committee:

A national interest transmission bottleneck (NITB) committee for the purpose of developing an application to DOE for the designation of the Upper Great Plains transmission constraint as a NITB and develop plans of how to advocate for its approval.

Siting, Routing, and Construction Planning Committee:

A siting, routing, and construction committee for the purpose of reviewing the siting and routing requirements within the applicable states affected by the proposed transmission solution. Additionally, the committee would develop the strategy and plans to construct the proposed solution.

DECISION-MAKING/ADMINISTRATION:

The Coalition and its committees will operate ordinarily by consensus (unanimous vote). In the absence of unanimity, it may act by partial consensus (majority vote of members present.)

- a.) **Minutes:** The minutes should adequately express discussion of issues that are decided by vote rather than by consensus, and not include a minority report. Minutes can then be made available as needed.
- b.) **Proxy:** No proxy is allowed in UGPTC proceedings. (A member may not assign its vote to another member.)
- c.) **Chairmanships:** Chairmanships are designated by the UGPTC and are not subject to reassignment by the member. However, members may designate more than one representative to the UGPTC, and should notify the UGPTC of their representatives. (A member has only one vote.)
- d.) **Quorum:** A quorum of 50% plus one is required to conduct business.
- e.) **Notice prior to action:** The UGPTC members should receive notice of at least 1 week before action is taken on an issue. The one week notice requirement may be suspended by 2/3s majority vote.

DUES/MEMBERSHIP:

Each member will pay its own costs for attending and participating in coalition functions and will pay to the coalition \$1,000 dues initially, in support of coalition activities. Additional dues will be assessed by the Coalition as the members deem necessary for Coalition activities.

A Steering Committee consisting of the committee co-chairs shall be convened by the Chairman regularly to provide management direction and recommendations to the Coalition. Members will select a chairman and direct the financial matters of the coalition, including the accounting and use of dues for coalition activities. Financial accounting will be provided at least once annually, unless otherwise directed by members.

A member may withdraw from the Coalition at anytime without liability or legal obligation.

Adopted May 22, 2003

Amended September 23, 2003

Amended March 22, 2004

Amended April 20, 2004

North Dakota

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Interim Advisory Board Members

Chairman

Lt. Governor Jack Dalrymple
North Dakota State Capitol
600 East Boulevard
Bismarck ND 58503

Vice Chairman

Representative Rick Berg
Goldmark Commercial Corporation
1707 Gold Drive South
Fargo, ND 58102

Secretary Treasurer

Linda Butts
Director Economic Development and Finance
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North Dakota

TRADE OFFICE

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Establishing the North Dakota Trade Office is a team of four individuals: Susan Prochaska Geib, Cherie Harms, Dina Butcher and Brad Fay.

Susan Prochaska Geib, former Vice President and General Manager of International Business for Microsoft Business Solutions (formerly Great Plains Software), leads the North Dakota Trade Office team. Geib's international and export expertise comes largely from starting the international business practice for Great Plains (now Microsoft) in 1989 which grew from zero to 50 countries in nine years. Her efforts grew to represent a significant portion of Great Plains (now Microsoft) overall business and were one of the highest growth areas of the company. Over the course of her career, Geib has lived, worked and taught within the international business arena in Asia. She is a former University Professor teaching brand management and customer relationship management. Early in her career, Geib was with Kraft/Philip Morris Inc. (now Altria) in brand management and worked in client relations for Leo Burnett Advertising on the Proctor & Gamble and Nestle accounts. susan@exportnd.com 701-541-0735

Cherie Harms, partner in The Harms Group and former President of Makoché Recording Company, handles marketing and public relations for the North Dakota Trade Office. Harms has held several management, broadcasting and marketing positions in Bismarck, Fargo, Grand Forks, Dickinson and Williston. Harms took Makoché to the European marketplace and developed expertise in licensing intellectual property in Asia, Europe and Canada. Cherie@exportnd.com 701-319-2275

Dina Butcher is in charge of business development for the North Dakota Trade Office. She is charged with fund-raising and capital incentive strategy for the group. Butcher is the former Deputy Commissioner of Agriculture and Executive Director of the North Dakota Grain Growers and Ag Policy Advisor to Governor Schafer. Butcher studied at the University of Freiburg and is fluent in German. She led the North Dakota trade delegation to the ANUGA trade show in Cologne, Germany and participated in hosting many foreign trade delegations. Butcher also led the development of Pride of Dakota and has significant experience in fundraising and governmental relations on the state and national level. dina@exportnd.com 701-224-1541

Brad Fay will head the value-added, agricultural and identity preserve projects for the North Dakota Trade Office. He brings lifelong expertise in agricultural marketing efforts in value-added processing. Fay has long been addressing exporting challenges and has traveled to Cuba several times facilitating the sale of agricultural products. brad@exportnd.com 701-250-1036

